Reorganized Debtor or Released Party with respect to any such Claim or Equity Interest, and (v) pursuing any Claim released pursuant to Section 11.5 or 11.6 of the Prepackaged Plan.

b. Unless otherwise provided in the Prepackaged Plan, all injunctions or stays arising under or entered during the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

9. Termination of Subordination Rights and Settlement of Related Claims

The classification and manner of satisfying all Claims and Equity Interests under the Prepackaged Plan takes into consideration all subordination rights, whether arising by contract or under general principles of equitable subordination, section 510(b) or 510(c) of the Bankruptcy Code, or otherwise. All subordination rights that a holder of a Claim or Equity Interest may have with respect to any distribution to be made under the Prepackaged Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination rights shall be enjoined permanently. Accordingly, distributions under the Prepackaged Plan to holders of Allowed Claims shall not be subject to payment of a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights.

10. Indemnification Obligations

Notwithstanding anything to the contrary in the Prepackaged Plan, subject to the occurrence of the Effective Date, the obligations of the Debtors as provided in the Debtors' certificate of formation, certificate of incorporation, bylaws, or other organizational documents, applicable law or other applicable agreement as of the Petition Date to indemnify, defend, reimburse, exculpate, advance fees and expenses to, or limit the liability of members, managers, directors, or officers who were members, managers, directors or officers of the Debtors at any time prior to the Effective Date, respectively, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, asserted or unasserted, shall survive confirmation of the Prepackaged Plan, remain unaffected thereby after the Effective Date and not be discharged, irrespective of whether such indemnification, defense, advancement, reimbursement, exculpation, or limitation is owed in connection with an event occurring before or after the Petition Date. Any Claim based on the Debtors' obligations in the Prepackaged Plan shall not be a Disputed Claim or subject to any objection in either case by reason of section 502(e)(1)(B) of the Bankruptcy Code.

As of the Effective Date, each Debtors' respective organizational documents shall provide for the indemnification, defense, reimbursement, exculpation, and/or limitation of liability of, and advancement of fees and expenses to, members, managers, directors, and officers who were members, managers, directors, or officers of such Debtor at any time prior to the Effective Date at least to the same extent as those in effect on the Petition Date, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, asserted or unasserted, and the Reorganized Debtors shall not amend and/or restate such organizational documents before or after the Effective Date to terminate or materially adversely affect any of the Reorganized Debtors' obligations or such members', managers', directors', or officers' rights under Section 11.10 of the Prepackaged Plan.

In addition, after the Effective Date, the Reorganized Debtors shall not terminate or otherwise reduce the coverage under any directors' and officers' insurance policies (including any "tail policy") in effect on the Petition Date, and all members, managers, directors and officers of the Debtors who served in such capacity at any time prior to the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such members, managers, directors, and/or officers remain in such positions after the Effective Date.

11. Preservation of Claims

Except as otherwise specifically provided in the Prepackaged Plan, including Sections 11.5, 11.6 and 11.7 thereof, as of the Effective Date, pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, any action, cause of action, liability, obligation, right, suit, debt, sum of money, damage, judgment, claim, and demand whatsoever, whether known or unknown, in law, equity, or otherwise (collectively, "***Causes of Action***") accruing to the Debtors shall become assets of the Reorganized Debtors, and the Reorganized Debtors shall have the authority to commence and prosecute such Causes of Action for the benefit of the Estates of the Debtors. After the Effective Date, the Reorganized Debtors shall have the authority to compromise and settle, otherwise resolve, discontinue, abandon, or dismiss all such Causes of Action without approval of the Bankruptcy Court.

12. Waiver of Certain Claims

Any and all Claims asserted or otherwise existing against any of the Debtors or any direct or indirect subsidiaries of the Debtors by FP or any directors appointed by FP for management fees or otherwise (including rejection damages arising out of the rejection of any agreement among such parties, including but not limited to the Management Agreement) shall be irrevocably waived, extinguished and/or disallowed in their entirety and not entitled to any distributions under the Prepackaged Plan; provided, that the Equity Holder Expense Claims will not constitute Waived FP Claims. The Management Agreement shall be deemed and treated as an executory contract pursuant to the Prepackaged Plan and shall be rejected by the Debtors and any Claim arising from, related to, or in connection with such rejection shall constitute a Waived FP Claim.

J. Miscellaneous Provisions

1. Payment of Statutory Fees

All fees payable under section 1930, chapter 123, title 28, United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date.

2. Filing of Additional Documents

The Debtors or the Reorganized Debtors, as applicable, may file such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Prepackaged Plan.

3. Amendment or Modification of the Prepackaged Plan

Subject to section 1127 of the Bankruptcy Code and, to the extent applicable, sections 1122, 1123, and 1125 of the Bankruptcy Code, alterations, amendments or modifications of the Prepackaged Plan may be proposed in writing by the Debtors with the prior written consent of the Requisite Consenting Parties at any time prior to or after the Confirmation Date. Holders of Claims that have accepted the Prepackaged Plan shall be deemed to have accepted the Prepackaged Plan, as altered, amended, or modified, *provided* that the Requisite Consenting Parties have consented in writing to the proposed alteration, amendment, or modification and such alteration, amendment or modification does not materially and adversely change the treatment of the Claim of such holder; and *provided, further, however*, that any holders of Claims who were deemed to accept the Prepackaged Plan because such Claims were unimpaired shall continue to be deemed to accept the Prepackaged Plan only if, after giving effect to such amendment or modification, such Claims continue to be unimpaired.

4. **Inconsistency**

In the event of any inconsistency among the Prepackaged Plan, the Disclosure Statement, and any exhibit or schedule to the Disclosure Statement, the provisions of the Prepackaged Plan shall govern. In the event of any inconsistency between the Prepackaged Plan and the Confirmation Order, the Confirmation Order shall govern.

5. **Section 1125(e) of the Bankruptcy Code**

As of the Confirmation Date, the Debtors shall be deemed to have solicited acceptances of the Prepackaged Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code. The Debtors (and each of their respective successors, predecessors, control persons, members, affiliates, agents, directors, officers, employees, investment bankers, financial advisors, accountants, attorneys and other professionals) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of the securities under the Prepackaged Plan. Accordingly, such entities and individuals shall not be liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Prepackaged Plan or the offer and issuance of the securities under the Prepackaged Plan.

6. **Preservation of Rights of Action; Settlement of Litigation Claims**

Except as otherwise specifically provided in the Prepackaged Plan, or in any contract, instrument, release or other agreement entered into in connection with the Prepackaged Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all claims, rights or causes of action, suits, and proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Person or entity without the approval of the Bankruptcy Court. The Reorganized Debtors or their successor(s) may pursue such retained claims, rights or causes of action, suits, or proceedings as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) who hold such rights.

7. **Effectuating Documents; Further Transactions**

The chairman of the board of directors, president, chief financial officer, any executive vice-president or senior vice-president, or any other appropriate officer of each Debtor shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions, as may be necessary or appropriate, to effectuate and further evidence the terms and conditions of the Prepackaged Plan. The secretary or assistant secretary of the appropriate Debtor shall be authorized to certify or attest to any of the foregoing actions.

8. **Compromise of Controversies**

In consideration for the distributions and other benefits provided under the Prepackaged Plan, the provisions of the Prepackaged Plan constitute a good faith compromise and settlement of all Claims and controversies resolved under the Prepackaged Plan, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under Bankruptcy Rule 9019.

9. **Exemption from Certain Transfer Taxes**

Pursuant to section 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under or in connection with the Prepackaged Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Prepackaged Plan, including any merger agreements or agreements of consolidation, deeds, bills of sale, or assignments executed in connection with any of the transactions contemplated under the Prepackaged Plan shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax. All sale transactions consummated by the Debtors and approved by the Bankruptcy Court on and after the Petition Date through and including the Effective Date, including the transfers effectuated under the Prepackaged Plan, the sale by the Debtors of owned property pursuant to section 363(b) of the Bankruptcy Code, and the assumption, assignment, and sale by the Debtors of unexpired leases of non-residential real property pursuant to section 365(a) of the Bankruptcy Code, shall be deemed to have been made under, in furtherance of, or in connection with the Prepackaged Plan, and thus, shall not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

10. Injunction from Claiming Worthless Stock Deduction

Unless otherwise ordered by the Bankruptcy Court, on or after the Confirmation Date, any person or group of persons constituting a "fifty percent shareholder" of Holdings within the meaning of section 382(g)(4)(D) of the Internal Revenue Code of 1986, as amended, shall be enjoined from claiming a worthless stock deduction with respect to any Equity Interests in Holdings held by such person(s) (or otherwise treating such Equity Interests as worthless for U.S. federal income tax purposes) for any taxable year of such person(s) ending prior to the Effective Date.

11. Compliance with Tax Requirements

In connection with the Prepackaged Plan and all instruments issued in connection therewith and distributed thereunder, any party issuing any instruments or making any distribution under the Prepackaged Plan, including any party described in Sections 6.5 and 7.3 thereof, shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions under the Prepackaged Plan shall be subject to any withholding or reporting requirements. Notwithstanding the above, each holder of an Allowed Claim that is to receive a distribution under the Prepackaged Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution. Any party issuing any instruments or making any distribution under the Prepackaged Plan has the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to such issuing or distributing party for payment of any such tax obligations.

12. Determination of Tax Filings and Taxes

The Reorganized Debtors shall have the right to request an expedited determination of their tax liability, if any, under section 505(b) of the Bankruptcy Code with respect to any tax returns filed, or to be filed, for any and all taxable periods ending after the Petition Date through the Effective Date.

13. Severability of Provisions in the Prepackaged Plan

If, prior to Confirmation, any term or provision of the Prepackaged Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors (to which request the Requisite Consenting Parties shall have consented), shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Prepackaged Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Prepackaged Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

14. Governing Law

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit to the Prepackaged Plan or Prepackaged Plan Supplement provides otherwise (in which case the governing law specified therein shall be applicable to such exhibit), the rights, duties and obligations arising under the Prepackaged Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without giving effect to the principles of conflict of laws that would require application of the laws of another jurisdiction.

15. Dissolution of any Statutory Committees and Cessation of Fee and Expense Payment

Any Committee appointed in the Chapter 11 Cases shall be dissolved on the Effective Date and the retention or employment of any advisors or professionals retained by the Committee, including, without limitation, accountants, attorneys and financial advisors will terminate. After the Effective Date, the Reorganized Debtors shall no longer be responsible for paying any fees and expenses incurred by the members of and any advisors or professionals retained by the Committee.

16. Registration Rights for Certain Holders of New Common Stock

Any holder receiving distributions of Plan New Common Stock issued on the Effective Date shall be entitled to become a party to the Registration Rights Agreement.

17. Prepackaged Plan Supplement

Any and all exhibits, lists, or schedules referred to in the Prepackaged Plan but not filed with the Prepackaged Plan, including, the Exit Facility Credit Agreement, the Management Incentive Plan, the Shareholders Agreement, the Registration Rights Agreement and the Rights Agreement, shall be contained in the Prepackaged Plan Supplement filed with the clerk of the Bankruptcy Court at least five (5) Business Days prior to the date of the commencement of the Confirmation Hearing and served on all parties in interest in the Chapter 11 Cases.

IV. EXEMPTION FROM SECURITIES LAWS

The Companies are relying on section 1145(a) of the Bankruptcy Code and section 4(2) of the Securities Act, and Regulation D promulgated thereunder, to exempt the offer of the New Common Stock and the Rights that may be deemed to occur through the solicitation of acceptances of the Prepackaged Plan and the issuance of those securities pursuant to the Prepackaged Plan from the registration requirements of the Securities Act and applicable state securities and "blue sky" laws.

The Prepackaged Plan contemplates the issuance and distribution of (i) New Common Stock, among other things, to holders of Allowed First Lien Lender Claims and (ii) Rights to holders of Allowed Holdings Preferred Equity Interests, each in exchange, or principally in exchange, for such Claims. In reliance upon section 1145 of the Bankruptcy Code, the offer, issuance and distribution of the New Common Stock and the Rights to the First Lien Lenders and the holders of shares of Holdings Preferred Stock, respectively (the "***1145 Securities***"), will be exempt from the registration requirements of the Securities Act and equivalent provisions in state securities laws. Section 1145(a) of the Bankruptcy Code generally exempts the offer or sale of securities pursuant to a plan of reorganization from the registration requirements of the Securities Act and from registration under state securities laws if the following conditions are satisfied: (i) the securities are issued or sold under a chapter 11 plan by (a) a debtor, (b) one of its affiliates participating in a joint plan with the debtor, or (c) a successor to a debtor under the plan and (ii) the securities are issued entirely in exchange for a claim against or interest in the debtor or such affiliate, or are issued principally in such exchange and partly for cash or property. The Debtors believe that the exchange of 1145 Securities for Claims against, and Equity Interests in, the Debtors under the circumstances provided in the Prepackaged Plan will satisfy the requirements of section 1145(a) of the Bankruptcy Code.

The 1145 Securities to be issued pursuant to the Prepackaged Plan will be deemed to have been issued in a public offering under the Securities Act and, therefore, subject to the terms and conditions set forth in the Shareholders Agreement, may be resold by any holder thereof without registration under the Securities Act pursuant to the exemption provided by section 4(1) thereof, unless the holder is an "underwriter" with respect to such securities, as that term is defined in section 1145(b)(1) of the Bankruptcy Code (a "***statutory underwriter***"). In addition, subject to the terms and conditions set forth in the Shareholders Agreement, such securities generally may be resold by the holders thereof without registration under state securities or "blue sky" laws pursuant to various exemptions provided by the respective laws of the individual states. However, holders of securities issued under the Prepackaged Plan are advised to consult with their own counsel as to the availability of any such exemption from registration under federal securities laws and any relevant state securities laws in any given instance and as to any applicable requirements or conditions to the availability thereof.

Section 1145(b)(i) of the Bankruptcy Code defines "underwriter" for purposes of the Securities Act as one who (i) purchases a claim or interest with a view to distribution of any security to be received in exchange for the claim or interest, or (ii) offers to sell securities issued under a plan for the holders of such securities, or (iii) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution of such securities and under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan, or (iv) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act.

An entity is not deemed to be an "underwriter" under section 2(a)(11) of the Securities Act with respect to securities received under section 1145(a)(1) which are transferred in "ordinary trading transactions" made on a national securities exchange or a NASDAQ market. However, there can be no assurances, and it is not currently anticipated, that such securities will be listed on an exchange or NASDAQ market. What constitutes "ordinary trading transactions" within the meaning of section 1145 of the Bankruptcy Code is the subject of interpretive letters by the staff of the Securities and Exchange Commission (the "***SEC***"). Generally, ordinary trading transactions are those that do not involve (i) concerted activity by recipients of securities under a plan of reorganization, or by distributors acting on their behalf, in connection with the sale of such securities, (ii) use of informational documents in connection with the sale other than the disclosure statement relating to the plan, any amendments thereto, and reports filed by the issuer with the SEC under the Securities Exchange Act of 1934, as amended, or (iii) payment of special compensation to brokers or dealers in connection with the sale.

The term "issuer" is defined in section 2(4) of the Securities Act; however, the reference contained in section 1145(b)(1)(D) of the Bankruptcy Code to section 2(11) of the Securities Act purports to include as statutory underwriters all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. "Control" (as defined in Rule 405 under the Securities Act) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "control person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the voting securities of such issuer. Additionally, the legislative history of section 1145 of the Bankruptcy Code provides that a creditor who receives at least 10% of the voting securities of an issuer under a plan of reorganization will be presumed to be a statutory underwriter within the meaning of section 1145(b)(i) of the Bankruptcy Code.

Additionally, the Prepackaged Plan contemplates the issuance of New Common Stock to the New Money Investors in consideration for the Primary Equity Contribution and the Secondary Equity

Contribution. The Debtors believe that the New Common Stock to be issued to the New Money Investors (the "***Investor Purchased Securities***"), as provided under the Prepackaged Plan, will be exempt from the registration requirements of the Securities Act pursuant to section 4(2) of the Securities Act as transactions by an issuer not involving any public offering, and equivalent exemptions in state securities laws.

To the extent that persons receive Investor Purchased Securities or persons deemed to be "underwriters" receive 1145 Securities pursuant to the Prepackaged Plan (collectively, the "***Restricted Holders***"), resales by Restricted Holders would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Restricted Holders may, however, be able, at a future time and under certain conditions described below, to sell securities without registration pursuant to the resale provisions of Rule 144 under the Securities Act.

Under certain circumstances, holders of 1145 Securities deemed to be "underwriters" or holders of the Investor Purchased Securities may be entitled to resell their securities pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act, to the extent available, and in compliance with applicable state and foreign securities laws. Generally, Rule 144 of the Securities Act provides that persons who are affiliates of an issuer who resell securities will not be deemed to be underwriters if certain conditions are met. These conditions include the requirement that current public information with respect to the issuer be available, a limitation as to the amount of securities that may be sold in any three-month period, the requirement that the securities be sold in a "brokers transaction" or in a transaction directly with a "market maker" and that notice of the resale be filed with the Securities and Exchange Commission. The Debtors cannot assure, however, that adequate current public information will exist with respect to any issuer of 1145 Securities or Investor Purchased Securities and therefore, that the safe harbor provisions of Rule 144 of the Securities Act will be available.

Pursuant to the Prepackaged Plan, certificates evidencing 1145 Securities or Investor Purchased Securities received by Restricted Holders or by a holder that the Debtors determine is an underwriter within the meaning of section 1145 of the Bankruptcy Code will bear a legend substantially in the form below:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND SAID LAWS OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF.

Any person or entity entitled to receive 1145 Securities who the issuer of such securities determines to be a statutory underwriter that would otherwise receive legended securities, as provided above, may instead receive certificates evidencing 1145 Securities without such legend if, prior to the distribution of such securities, such person or entity delivers to such issuer (i) an opinion of counsel reasonably satisfactory to such issuer to the effect that the 1145 Securities to be received by such person or entity are not subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code and may be sold without registration under the Securities Act and (ii) a certification that such person or entity is not an "underwriter" within the meaning of section 1145 of the Bankruptcy Code.

Any holder of a certificate evidencing 1145 Securities bearing such legend may present such certificate to the transfer agent for 1145 Securities for exchange for one or more new certificates not bearing such legend or for transfer to a new holder without such legend at such time as (i) such securities are sold pursuant to an effective registration statement under the Securities Act, or (ii) such holder delivers to the issuer of such securities an opinion of counsel reasonably satisfactory to such issuer to the effect that such securities are no longer subject to the restrictions applicable to "underwriters" under section 1145 of the Bankruptcy Code, or (iii) such holder delivers to such issuer an opinion of counsel reasonably satisfactory to such issuer to the effect that (x) such securities are no longer subject to the restrictions pursuant to an exemption under the Securities Act and such securities may be sold without registration under the Securities Act or (y) such transfer is exempt from registration under the Securities Act, in which event the certificate issued to the transferee shall not bear such legend.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A RECIPIENT OF SECURITIES MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE REORGANIZED DEBTORS, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PREPACKAGED PLAN. ACCORDINGLY, THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF SECURITIES CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

V. FINANCIAL INFORMATION, PROJECTIONS AND VALUATION ANALYSIS

A. Historical Financial Information

Attached hereto as Exhibit D-1 are the audited consolidated balance sheets of the Companies as of December 31, 2007 and 2008, and the related consolidated statements of operations and cash flows for the years ended December 31, 2006, 2007 and 2008. Attached hereto as Exhibit D-2 are the unaudited consolidated balance sheet of the Companies as of November 30, 2009 as compared to the audited consolidated balance sheet of the Companies as of December 31, 2008, and the related consolidated statements of operations and cash flows for the eleven-month periods ended November 30, 2009 and 2008. This financial information is provided as a resource to permit the holders of Claims and Equity Interests to better understand the Companies' historical business performance and the impact of the Chapter 11 Cases on their businesses.

B. Consolidated Condensed Projected Financial Statements

1. Special Note Regarding Forward-Looking Statements

Some matters discussed herein contain forward-looking statements that are subject to certain risks, uncertainties or assumptions and may be affected by certain other factors which may impact future results and financial condition. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "expects," "plans," "projected," "anticipates," "believes," "estimates," "predicts," "potential," or "continues," or the negative of these terms or other comparable terminology. In addition, except for historical facts, the "Projections and Valuation Analysis" provided in this Section V should be considered forward-looking statements. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of the Companies may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are based on beliefs and assumptions of the Companies' management and on information currently available to such management. Forward-looking statements speak only as of the date they are made, and the Companies undertake no obligation to update publicly any of them in light of new information or future events. Undue reliance should not be placed on such forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of performance.

2. Financial Projections

As a condition to confirmation of a plan of reorganization, the Bankruptcy Code requires, among other things, that the Bankruptcy Court determine that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. In connection with the development of the Prepackaged Plan, and for purposes of determining whether the Prepackaged Plan satisfies this feasibility standard, the Debtors' management analyzed the ability of the Reorganized Debtors to meet their obligations under the Prepackaged Plan and to maintain sufficient liquidity and capital resources to conduct their businesses. As a consequence, the Debtors' management developed and prepared the following projected financial statements (the "***Financial Projections***") for the fiscal years 2010 through 2014. The Financial Projections reflect the projected results of the Reorganized Debtors and their subsidiaries, foreign and domestic.

The Financial Projections present, to the best of the Debtors' knowledge and belief, the Debtors' expected financial position, results of operations, and cash flows for each of the five years reflected in the projection period. The Financial Projections include a projected income statement, balance sheet and statement of cash flow for the years ending December 31, 2010 through 2014. The assumptions disclosed herein are those that the Debtors believe are significant to the Financial Projections. Because events and circumstances do not always occur as expected, there will inevitably be differences between the projected and actual results, some of which may be material to the Financial Projections.

THE DEBTORS DO NOT, AS A MATTER OF COURSE, PUBLISH THEIR BUSINESS PLANS, BUDGETS OR STRATEGIES OR MAKE EXTERNAL PROJECTIONS OR FORECASTS OF THEIR ANTICIPATED FINANCIAL POSITIONS, RESULTS OF OPERATION, CASH FLOW, REVENUE AND GROWTH RATES. ACCORDINGLY, THE DEBTORS DO NOT ANTICIPATE THAT THEY WILL, AND DISCLAIM ANY OBLIGATION TO, FURNISH UPDATED BUSINESS PLANS, BUDGETS, FINANCIAL CONSEQUENCES OR PROJECTIONS PRIOR TO THE EFFECTIVE DATE OF ANY PLAN OR TO INCLUDE SUCH INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SEC OR OTHERWISE MAKE SUCH INFORMATION PUBLICLY AVAILABLE.

The Debtors' auditor has neither examined nor compiled the accompanying Financial Projections and, accordingly, does not express an opinion or any other form of assurance with respect thereto. These Financial Projections were not prepared with a view toward compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, including, without limitation, the American Institute of Certified Public Accountants' Statement of Position 90-7 ("***SOP 90-7***"), Financial Reporting by Entities in Reorganization Under the Bankruptcy Code. These Financial Projections, unless otherwise noted, are not in compliance with Generally Accepted Accounting Principles ("***GAAP***").

EBITDA is measured as earnings (defined as operating income (loss) plus other income less other expenses) before interest, taxes, depreciation and amortization and excluding restructuring and other one-time charges. EBITDA is frequently used by the financial community to provide insight into an organization's operating trends and facilitate comparisons between peer companies, since interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. EBITDA can also be a useful measure of a company's ability to service debt and is one of the measures used for determining the Debtors' debt covenant compliance.

3. Principal Assumptions

The Financial Projections have been prepared in good faith based upon assumptions believed to be reasonable including assumptions related to the financial accounts of the Debtors, which are based upon the Debtors' estimates and market conditions.

The Debtors prepared the Financial Projections to include the next five years ending December 31, 2010 through 2014. The Financial Projections are based on a number of assumptions and, while the Debtors have prepared the Financial Projections in good faith and believe the assumptions to be reasonable, it is important to note that the Debtors can provide no assurance that such assumptions will ultimately be realized. The Financial Projections should be read in conjunction with the assumptions, qualifications and notes contained herein, the risk factors described in SECTION VI – "CERTAIN

FACTORS TO BE CONSIDERED," and the historical financial statements attached hereto as Exhibits D-1 and D-2. The following summarizes the underlying key assumptions upon which the Financial Projections were based.

The Financial Projections take into account a number of factors pertinent to the current macroeconomic environment, including, among other things, the state of the current home appliance market and decreased consumer spending. The Debtors assume the current consumer spending slowdown shows mild improvement through the end of calendar year 2010, with further moderate growth through the remainder of the projection period.

The Financial Projections are based on the assumption that the Prepackaged Plan will be confirmed as stated herein and in the Prepackaged Plan and will become effective by May 30, 2010.

In addition to the foregoing, the principal assumptions used in preparing the projected consolidated income statement are as follows:

a. *Sales Forecast:* A detailed 5-year sales forecast was prepared in U.S. dollars. Sales were derived by applying projected growth rates to previous years' shipments with inputs from industry forecasts and pricing adjustments on a plant-by-plant basis. Base year (FY 2010) projections were based on a detailed bottoms-up, customer-specific analysis which drives the remaining projections for the outlook period. The 2011 operating results are projected to grow as compared to the base year. Long-term operating performance is expected to grow revenue, but will not reach historical levels in the projection period.

b. *Product Cost Assumptions:* Raw materials, direct labor and variable overhead were projected based on historical margins and cost trends. In arriving at product cost assumptions, the Debtors' management considered the impact of operational restructuring initiatives completed in calendar 2009 as well as the impact of restructuring projects budgeted for completion in early calendar 2010.

c. *Operating Expense Assumptions:* Selling, general and administrative expenses were projected based on recent historical levels. Selling, general and administrative expenses as a percent of net sales is projected to decline over the projection period. The impact of recent restructuring activities was considered in projecting selling, general and administrative expenses.

d. *Interest Expense:* Interest expense represents the interest associated with the various tranches of debt in place upon the Debtors' emergence from bankruptcy. The bulk of the interest expense relates to borrowings under the Tranche A Term Loan Facility and Tranche B Term Loan Facility. The Financial Projections assume that interest on the Tranche A Term Loan Facility is paid monthly in cash at a rate of LIBOR + 775 bps per year. With respect to the Tranche B Term Loan Facility, the Financial Projections assume that interest is paid monthly in cash at a rate of LIBOR + 650 bps per year. Interest expense is net of cash held by the Reorganized Debtors, which is assumed to earn interest at a rate of 1.0% per year.

e. *Income Tax Expense:* The Debtors' tax advisors are preparing post-emergence tax estimates, which may vary materially from what is presented in the Financial Projections. The Debtors' advisors believe the Debtors' tax attributes will be reduced significantly or eliminated as a result of the reorganization. Additionally, the tax basis of the Debtors' assets may be reduced as a result of the transaction.

f. *Fresh Start Accounting*: The pro forma balance sheet adjustments contained herein account for (i) the reorganization and related transactions pursuant to the Prepackaged Plan and (ii) the anticipated implementation of "fresh start" accounting pursuant to SOP 90-7. The illustrative fresh start adjustments assumed in the Financial Projections were derived based on the equity value implied by the New Money Equity Contribution.

In addition to the foregoing, the principal assumptions used in preparing the projected consolidated balance sheet and cash flow statement are as follows:

a. *Cash:* In the Financial Projections, excess Cash is assumed to accumulate on the balance sheet over the projection period.

b. *Accounts Receivable*: Accounts Receivable balances were projected based on the Debtors' recent historical experience and management's judgment. The Company's Accounts Receivable factoring activities were considered in developing these assumptions. For the projected periods, receivable days were projected to increase slightly over time.

c. *Inventory*: The FY 2010 projected Inventory balances at December 31, were based on the Debtors' historical experience. For the projected periods, there was an assumption of a modest improvement in inventory days.

d. *Accounts Payable*: Projected Accounts Payable balances were based on the Debtors' historical experience adjusted for management's view of the potential impact of a chapter 11 filing and subsequent emergence on vendor terms.

e. *Long-Term Debt:* Post-emergence, long-term debt assumes that the Debtors are able to secure a new asset-based lending facility concurrent with emergence and do not draw down the $20.0 million Additional Term Loan A Sub-Tranche Facility.

f. *Capital Expenditures*: Capital expenditures for the projection period are based on the Debtors' capital spending budget, and are generally lower than historical levels due to the Debtors recent restructuring efforts. Projected capital expenditures include amounts for mandatory maintenance as well as investment/expansion related capital spending.

Reorganized Electrical Components International, Inc.
Projected Consolidated Statements of Operations, unaudited:

($ in thousands)

	Fiscal Year Ending December 31,					
	2009E	2010	2011	2012	2013	2014
Net sales	$451,195	$475,259	$500,654	$530,912	$561,467	$591,689
Cost of sales	(385,398)	(402,276)	(421,983)	(446,185)	(470,953)	(495,010)
Gross profit	65,797	72,983	78,671	84,728	90,514	96,679
Gross margin %	*14.6%*	*15.4%*	*15.7%*	*16.0%*	*16.1%*	*16.3%*
Operating, SG&A expenses	(32,050)	(32,931)	(33,952)	(34,745)	(35,514)	(36,218)
EBITDA	**$33,747**	**$40,052**	**$44,719**	**$49,983**	**$54,999**	**$60,461**
EBITDA margin %	*7.5%*	*8.4%*	*8.9%*	*9.4%*	*9.8%*	*10.2%*
Depreciation and amortization	(32,002)	(30,265)	(26,210)	(26,685)	(27,431)	(26,791)
Interest expense, net	(27,068)	(9,434)	(15,237)	(15,000)	(14,735)	(14,421)
Financing fees	-	(2,125)	-	-	-	-
Restructuring	(6,947)	(1,500)	-	-	-	-
Stock based compensation	(190)	(196)	(195)	(195)	(195)	(195)
Professional fees	(7,199)	(10,010)	-	-	-	-
Other non-operating	(2,205)	60	-	-	-	-
Illustrative cancellation of debt income	-	116,373	-	-	-	-
Earnings (loss) before income taxes	(41,863)	102,956	3,077	8,103	12,638	19,054
Provions (benefit) for income taxes	(3,934)	(5,471)	(5,022)	(5,818)	(7,727)	(7,727)
Net Income	**($45,798)**	**$97,485**	**($1,945)**	**$2,285**	**$4,911**	**$11,327**

Reorganized Electrical Components International, Inc.
Projected Consolidated Balance Sheet, unaudited:

($ in thousands)

Reorganized Electrical Components International, Inc.
Projected Consolidated Cash Flows, unaudited:

($ in thousands)

	Fiscal Year Ending December 31,					
	2009E	2010	2011	2012	2013	2014
Cash flows from operating activities						
Net income (loss)	($45,798)	$97,485	($1,945)	$2,285	$4,911	$11,327
Depreciation and amortization	32,002	30,265	26,210	26,685	27,431	26,791
Change in working capital	26,284	(20,307)	(5,468)	(4,872)	(4,597)	(3,880)
Other, net	6,042	3,715	3,714	3,813	3,813	3,813
Exchange rate effect	3,068	1	-	-	-	-
Illustrative cancellation of debt income	-	(116,373)	-	-	-	-
Net cash provided by (used in) operating activities	21,598	(5,216)	22,511	27,911	31,558	38,052
Cash flows from investing activities						
Capital expenditures	(11,382)	(14,000)	(14,000)	(16,000)	(16,000)	(16,000)
Net cash provided by (used in) investing activities	(11,382)	(14,000)	(14,000)	(16,000)	(16,000)	(16,000)
Cash flows from financing activities:						
Issuance of common stock	-	12,500	-	-	-	-
Net borrowings / (repayments)	(3,855)	11,213	(2,075)	(2,075)	(2,050)	(1,975)
Net cash provided by (used in) financing activities	(3,855)	23,713	(2,075)	(2,075)	(2,050)	(1,975)
Beginning cash balance	6,636	12,997	17,494	23,930	33,766	47,274
Net change in cash	6,361	4,497	6,436	9,836	13,508	20,077
Ending cash balance	**$12,997**	**$17,494**	**$23,930**	**$33,766**	**$47,274**	**$67,351**

THESE FINANCIAL PROJECTIONS SHOULD BE READ IN CONJUNCTION WITH THE ASSUMPTIONS, QUALIFICATIONS AND EXPLANATIONS SET FORTH ABOVE AND THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF THE DEBTORS, INCLUDING THE NOTES THERETO, INCLUDED IN EXHIBITS D-1 AND D-2 ATTACHED HERETO.

C. Valuation Analysis.

THE VALUATION INFORMATION CONTAINED IN THIS SECTION WITH REGARD TO THE REORGANIZED DEBTORS IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PREPACKAGED PLAN.

1. Introduction.

In connection with developing the Prepackaged Plan, the Debtors directed Rothschild to prepare a valuation analysis of the Reorganized Debtors' businesses. The valuation analysis was prepared by Rothschild based on the Financial Projections. Specifically, the valuation was developed for purposes of assisting the Debtors in evaluating (i) the relative recoveries of holders of Allowed Claims and Equity Interests and (ii) whether the Prepackaged Plan met the "best interest test" under the Bankruptcy Code.

In preparing the estimated total enterprise value range, Rothschild: (i) reviewed certain historical financial information of the Debtors for recent years and interim periods; (ii) reviewed certain operating and financial forecasts prepared by the Debtors, including the Financial Projections; (iii) met with certain members of senior management of the Debtors to discuss the Debtors' operations and future prospects; (iv) reviewed publicly available financial data and considered the market values of public companies deemed generally comparable to the operating businesses of the Debtors; (v) considered certain economic and industry information relevant to the Debtors' operating businesses; and (vi) conducted such other analyses as Rothschild deemed appropriate.

Rothschild assumed, without independent verification, the accuracy, completeness, and fairness of all of the financial and other information available to it from public sources or as provided to Rothschild by the Debtors or their representatives. Rothschild also assumed that the Financial Projections have been reasonably prepared on a basis reflecting the Debtors' best estimates and judgment as to future operating and financial performance. Rothschild did not make any independent evaluation of the Debtors' assets, nor did Rothschild verify any of the information it reviewed. To the extent the valuation is dependent upon the Reorganized Debtors' achievement of the Financial Projections, the valuation must be considered speculative. Rothschild does not make any representation or warranty as to the fairness of the terms of the Prepackaged Plan.

2. Valuation.

In performing its analysis, Rothschild considered numerous factors and applied generally-accepted valuation techniques for estimating the Reorganized Debtors' enterprise value. Rothschild primarily relied on two commonly-accepted valuation methodologies: (i) the comparable public companies trading multiples methodology; and (ii) the discounted cash flow methodology. Due to the lack of information regarding public merger and acquisition transactions that involved companies similar to the Reorganized Debtors, Rothschild determined that a precedent transaction analysis would of limited value.

a. Comparable Public Company Analysis

The comparable companies trading multiples methodology involved identifying a group of publicly-traded companies whose businesses and operating characteristics are generally similar to that of the Debtors. Rothschild then developed a range of valuation multiples to apply to the Debtors' financial projections to derive a range of implied enterprise values for the Reorganized Debtors.

A key factor to the comparable public company analysis is the selection of companies with relatively similar business and operational characteristics to the Reorganized Debtors. Criteria for selecting comparable companies include, among other relevant characteristics, similar lines of businesses, business risks, target market segments, growth prospects, maturity of businesses, market presence, size and scale of operations. The selection of truly comparable companies is often difficult and subject to interpretation. The underlying concept, however, is to develop a premise for relative value, which, when coupled with a cash flow based approach, presents a foundation for determining reorganization value.

b. Discounted Cash Flow Analysis

The discounted cash flow methodology involved deriving the unlevered free cash flows that the Reorganized Debtors would generate assuming the Financial Projections were realized. To determine the Reorganized Debtors' enterprise value range, these cash flows and an estimated enterprise value at the end of the period covered by the Financial Projections were discounted using the Reorganized Debtors' estimated weighted average cost of capital, which estimates the average cost of debt and equity for the Reorganized Debtors based upon analysis of similar publicly traded companies.

c. Conclusion

As a result of such analyses, reviews, discussions, considerations, and assumptions, Rothschild estimates the total enterprise value of the Reorganized Debtors to be between approximately $225 million and $255 million, as of an assumed Effective Date of May 30, 2010, with a midpoint of approximately $240 million.

The range of total equity value, which takes into account the total enterprise value less estimated net debt outstanding as of an assumed Effective Date of May 30, 2010, was estimated by Rothschild to be between approximately $63.5 million and $93.5 million, with a midpoint of approximately $78.5 million, before the impact of the Management Stock issuable pursuant to the Management Incentive Plan.

The estimated valuation range as of an assumed Effective Date of May 30, 2010, reflects Rothschild's analysis of business and asset information provided by the Debtors' management to Rothschild. Changes in facts and circumstances between the date hereof and the Effective Date, including, without limitation, a delay in the Effective Date, may result in changes to the valuation. Rothschild will consider any such changes in facts and circumstances and may modify its estimate of the estimated valuation range prior to the Effective Date. Notwithstanding the foregoing, neither the Debtors nor Rothschild have any obligation to update, revise or reaffirm the valuation range.

The foregoing valuation range estimates are based on a number of assumptions, including a successful reorganization of the Debtors' businesses and finances in a timely manner, achievement of the forecasts reflected in the Financial Projections, access to adequate exit financing, continuity of a qualified management team, market conditions through the period covered by the Financial Projections, and the Prepackaged Plan becoming effective in accordance with its terms on a basis consistent with the estimates and other assumptions discussed herein.

In the case of the Reorganized Debtors, the estimates of the reorganization value prepared by Rothschild represent the hypothetical reorganization value of the Reorganized Debtors. Such estimates were developed solely for purposes of the formulation and negotiation of the Prepackaged Plan and to enable the holders of Claims and Equity Interests entitled to vote under the Prepackaged Plan to make an informed judgment about the Prepackaged Plan and should not be used or relied upon for any other purpose, including the purchase or sale of securities of, or Claims or Equity Interests in, the Debtors.

The estimates reflect computations of the range of the estimated reorganization value of the Reorganized Debtors through the application of various valuation methodologies and do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities issued pursuant to the Prepackaged Plan, which may be significantly different than the amounts set forth herein.

The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimate of the valuation range of the Reorganized Debtors set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of the Debtors, Rothschild, the Debtors' other advisors or any other person assumes responsibility for their accuracy. In addition, the valuation of newly issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holdings of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors which generally influence the prices of securities.

THE FOREGOING VALUATION IS BASED UPON A NUMBER OF ESTIMATES AND ASSUMPTIONS THAT ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES BEYOND THE CONTROL OF THE DEBTORS OR THE REORGANIZED DEBTORS. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE RANGES REFLECTED IN THE VALUATION WOULD BE REALIZED IF THE PREPACKAGED PLAN WERE TO BECOME EFFECTIVE, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

THE ESTIMATED CALCULATION OF ENTERPRISE VALUE IS HIGHLY DEPENDENT UPON ACHIEVING THE FUTURE FINANCIAL RESULTS AS SET FORTH IN THE DEBTORS' FINANCIAL PROJECTIONS, AS WELL AS THE REALIZATION OF CERTAIN OTHER ASSUMPTIONS, NONE OF WHICH ARE GUARANTEED AND MANY OF WHICH ARE OUTSIDE OF THE DEBTORS' CONTROL.

THE CALCULATIONS OF VALUE SET FORTH HEREIN REPRESENT ESTIMATED REORGANIZATION VALUES AND DO NOT NECESSARILY REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE EQUITY VALUE STATED HEREIN DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST-REORGANIZATION MARKET VALUE. SUCH VALUE, IF ANY, MAY BE MATERIALLY DIFFERENT FROM THE REORGANIZED EQUITY VALUE RANGES ASSOCIATED WITH THIS VALUATION ANALYSIS. NO RESPONSIBILITY IS TAKEN FOR CHANGES IN MARKET CONDITIONS AND NO OBLIGATION IS ASSUMED TO REVISE THIS CALCULATION OF REORGANIZED DEBTOR'S VALUE TO REFLECT EVENTS OR CONDITIONS THAT SUBSEQUENTLY OCCUR. THE CALCULATIONS OF VALUE DO NOT CONFORM TO THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE OF THE APPRAISAL FOUNDATION.

THE SUMMARY SET FORTH ABOVE DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE ANALYSES PERFORMED BY ROTHSCHILD. THE PREPARATION OF A VALUATION ESTIMATE INVOLVES VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE AND RELEVANT METHODS OF FINANCIAL ANALYSIS AND THE APPLICATION OF THESE METHODS IN THE PARTICULAR CIRCUMSTANCES, ALL OF WHICH ARE NOT ABLE TO BE DESCRIBED IN A SUMMARY DESCRIPTION.

VI. CERTAIN FACTORS TO BE CONSIDERED

Holders of Claims and Equity Interests should consider the risks and uncertainties below in making their decision regarding whether to vote to accept the Prepackaged Plan. The risks and uncertainties described below are not the only ones the Debtors face. Additional risks and uncertainties not presently known to the Debtors or that they currently deem immaterial may also harm their businesses.

A. Risks Related to the Prepackaged Plan

1. A Filing under Chapter 11 of the Bankruptcy Code could involve a Protracted Process and be Disruptive to the Debtors' Business

The Debtors cannot be certain their chapter 11 cases will be of relatively short duration (e.g., 30 to 90 days) and would not unduly disrupt their business. It is impossible to predict with certainty the amount of time needed in bankruptcy, and the Debtors cannot be certain that the Prepackaged Plan will be confirmed. Moreover, time limitations exist for which the Debtors have an exclusive right to file a plan before other proponents can propose and file their own plan.

A lengthy chapter 11 case would also involve additional expenses and divert the attention of management from operation of the businesses, as well as create concerns for employees, vendors and customers. The disruption that a chapter 11 case would inflict upon the business would increase with the length of time it takes to complete the proceeding and the severity of that disruption would depend upon the attractiveness and feasibility of the Prepackaged Plan from the perspective of the constituent parties, including essential vendors, employees, and customers.

The Debtors are also obligated to meet certain milestones under the Plan Support Agreement. If the Debtors do not meet such milestones the Plan Support Agreement may be terminated in accordance with its terms. This would potentially lead to lengthy chapter 11 cases and the inability to confirm the Prepackaged Plan.

If the Debtors are unable to obtain confirmation of the Prepackaged Plan on a timely basis, because of a challenge to the Prepackaged Plan or a failure to satisfy the conditions to the effectiveness of the Prepackaged Plan, the Debtors may be forced to operate in bankruptcy for an extended period while trying to develop a different reorganization plan that can be confirmed. A protracted bankruptcy case would increase both the probability and the magnitude of the adverse effects described above.

2. The Bankruptcy Court May Not Approve the Compromises and Settlements Contemplated by the Prepackaged Plan

The Prepackaged Plan constitutes a settlement, compromise, and release of rights arising from or relating to the allowance, classification, and treatment of all Allowed Claims and Allowed Equity Interests and their respective distributions and treatments under the Prepackaged Plan, takes into account for and conforms to the relative priority and rights of the Claims and Equity Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination or section 510(b) and (c) of the Bankruptcy Code. This settlement, compromise, and release requires approval by the Bankruptcy Court in the Confirmation Order and the Debtors cannot ensure that the Bankruptcy Court will approve of the settlement, compromise and release contemplated by the Prepackaged Plan.

3. The Bankruptcy Court May Not Confirm the Prepackaged Plan

Although the Debtors believe that the Prepackaged Plan will satisfy all requirements necessary for confirmation under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Prepackaged Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. In the event that the Bankruptcy Court refuses to confirm the Prepackaged Plan, the Debtors may be required to seek an alternative restructuring of their obligations to their creditors and equity holders. There can be no assurance that the terms of any such alternative restructuring would be similar to or as favorable to the Debtors' creditors and equity holders as those proposed in the Prepackaged Plan.

Confirmation of the Prepackaged Plan is subject to certain conditions and requirements of the Bankruptcy Code. If the Prepackaged Plan is filed, the Bankruptcy Court may determine that one or more of those requirements is not satisfied.

For example, the Bankruptcy Court might determine that the Prepackaged Plan is not "feasible" pursuant to section 1129(a)(11) of the Bankruptcy Code. For the Prepackaged Plan to be feasible, the Debtors must each establish that the confirmation of the Prepackaged Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor of the Debtors under the Prepackaged Plan, unless such liquidation or reorganization is proposed in the Prepackaged Plan. While the feasibility requirement is not rigorous, it does require the Debtors to put forth concrete evidence indicating that they have a reasonable likelihood of meeting their obligations under the Prepackaged Plan and remaining commercially viable entities. The Debtors believe that their projections demonstrate that the Prepackaged Plan is feasible in that the Debtors will be able to satisfy all of their obligations under the Prepackaged Plan and confirmation of the Prepackaged Plan is not likely to be followed by a liquidation or the need for a further financial reorganization.

In most instances, a plan of reorganization is filed and votes to accept or reject the plan are solicited after the filing of a petition commencing a chapter 11 case. Where a debtor proposes a prepackaged plan, as the Debtors are here, the Debtors may solicit votes prior to the Petition Date in accordance with section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018(b). The Bankruptcy Court could conclude, however, that this Disclosure Statement does not meet the disclosure requirements set forth therein.

With regard to Solicitation of votes prior to the commencement of a bankruptcy case, if the Bankruptcy Court concludes that the requirements of section 1126(b) of the Bankruptcy Code and/or Bankruptcy Rule 3018(b) have not been met, then the Bankruptcy Court could deem such votes invalid, and the Prepackaged Plan would not be confirmed without a resolicitation of votes to accept or reject the Prepackaged Plan. While the Debtors believe that the requirements of section 1126(b) of the Bankruptcy Code and Bankruptcy Rule 3018 will be met, the Bankruptcy Court may not reach the same conclusion.

The United States Trustee or other parties in interest could move the Bankruptcy Court to "designate" the votes of the holders of First Lien Lender Claims, Second Lien Lender Claims and Holdings Preferred Equity Interests that are a party to the Plan Support Agreement pursuant to section 1126(e) of the Bankruptcy Code, which permits a bankruptcy court to designate – and nullify for purposes of determining acceptances and rejections of the subject plan – an entity whose acceptance or rejection of a plan was not in good faith or was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

If the Bankruptcy Court were to find any of these deficiencies, the Debtors could be required to restart the process of filing another plan and disclosure statement by (i) seeking Bankruptcy Court approval of a disclosure statement, (ii) soliciting votes from classes of debt and equity holders, and (iii) seeking Bankruptcy Court confirmation of the newly proposed plan of reorganization. If this occurs, confirmation of the Prepackaged Plan would be delayed and possibly jeopardized. Additionally, should the Prepackaged Plan fail to be approved, confirmed, or consummated, parties with an interest against the Debtors may be in a position to propose alternative plans of reorganization. Therefore, any failure to confirm the Prepackaged Plan would likely entail significantly greater risk of delay, expense and uncertainty, which would likely have a material adverse effect upon the Debtors' business and financial condition.

4. The Debtors May Fail to Meet All Conditions Precedent to Effectiveness of the Prepackaged Plan

Although the Debtors believe that the Effective Date may occur very shortly after the Confirmation Date, there can be no assurance as to such timing. Moreover, if the conditions precedent to the Effective Date, including the entry of a Confirmation Order, execution and delivery of certain documents, and receipt of all necessary authorizations and approvals, have not occurred, the Prepackaged Plan may be vacated by the Bankruptcy Court.

In addition, the Plan Support Agreement provides that it may be terminated and votes on the Prepackaged Plan may be withdrawn if certain key milestones are not met.

5. The Debtors May Be Unable to Obtain Adequate Financing During the Pendency of these Cases

The DIP Facility is intended to provide liquidity to the Debtors during the pendency of the Chapter 11 Cases. There can be no assurance that the Bankruptcy Court will approve the DIP Facility on the terms requested by the Debtors, which could endanger the funding of the Chapter 11 Cases. Moreover, if the Chapter 11 Cases take longer than expected to conclude, the Debtors may exhaust their financing. There is no assurance that they will be able to obtain additional financing from their existing lenders or otherwise. In either such case, the liquidity necessary for the orderly functioning of the Debtors' business may be materially impaired.

6. The Debtors May Be Unsuccessful in Obtaining First Day Orders to Authorize Payment to Key Creditors in the Ordinary Course of Business

There can be no guarantee that the Debtors will be successful in obtaining the necessary approvals of the Bankruptcy Court to authorize payment of accounts payable to key creditors in the ordinary course of business. As a result, the Debtors may be unable to make certain prepetition payments to customers, vendors, employees and other key creditors, in which case their businesses may suffer.

7. The Announcement of the Restructuring Could Adversely Affect the Value of the Debtors' Business

It is possible that announcement of the restructuring or the filing of the chapter 11 proceedings could adversely affect the Debtors' operations and relationships with employees, customers and suppliers. Due to uncertainties, many risks exist, including the following:

- customers could switch to competitors;
- employees may be distracted from performance of their duties or more easily attracted to other employment opportunities, including with the Debtors' competitors;
- customers may delay making payments;
- although the Prepackaged Plan provides for payment in full to the general unsecured creditors, customers, lessors, and creditors may suspend or terminate their relationship with the Debtors, exercise rights of set-off or similar remedies, further restrict ordinary credit terms or require guarantee of payment;
- business partners could terminate their relationship or require financial assurances or enhanced performance;
- trade creditors could require payment in advance or Cash on delivery;
- the ability to renew existing contracts and compete for new business may be adversely affected;
- the ability to pursue acquisitions and obtain financing for such acquisitions may be negatively impacted; and
- competitors may take business away from the Debtors.

A delay in completing the restructuring of the Debtors may result in the same adverse consequences. The occurrence of one or more of these events could have a material and adverse effect on the financial condition, operations and prospects of the Debtors.

8. Parties in Interest May Object to the Debtors' Classification of Claims

Section 1122 of the Bankruptcy Code provides that a chapter 11 plan of reorganization may place a claim or equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of Claims and Equity Interests under the Prepackaged Plan complies with the requirements set forth in the Bankruptcy Code. After the Petition Date, however, a claim or interest holder could challenge the classification. In such event, the cost of the Prepackaged Plan and the time needed to confirm the Prepackaged Plan could increase and the Bankruptcy Court may not agree with the Debtors' classification of Claims and Equity Interests, as applicable. If the Bankruptcy Court concludes that the classification of Claims and Equity Interests under the Prepackaged Plan does not comply with the requirements of the Bankruptcy Code, the Debtors may need to modify the Prepackaged Plan. Such modification could require a resolicitation of votes on the Prepackaged Plan. If the Bankruptcy Court determines that the Debtors' classification of Claims and Equity Interests was not appropriate or if the Bankruptcy Court determines that the different treatment provided to claim or interest holders was unfair or inappropriate, the Prepackaged Plan may not be confirmed. If this occurs, the amended plan of reorganization that would ultimately be confirmed may be less attractive to certain classes of the Debtors' claim and equity interest holders than the Prepackaged Plan.

9. In Certain Instances, a Chapter 11 Case May be Converted to a Case under Chapter 7 of the Bankruptcy Code

If no plan can be confirmed, or if the Bankruptcy Court otherwise finds that it would be in the best interest of creditors, any of the Debtors' Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate' assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in no distributions being made to equity security holders and smaller distributions being made to the Debtors' creditors than those provided for in the Prepackaged Plan because of (i) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing the Debtors' business as a going concern; (ii) additional administrative expenses involved in the appointment of a trustee; and (iii) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the operations.

B. Risk Factors Regarding Financial Projections

The fundamental premise of the Prepackaged Plan is the implementation and realization of the business plan. The Financial Projections reflect numerous assumptions concerning the anticipated post-Restructuring performance of the Reorganized Debtors, some of which may not materialize. Such assumptions include, among other items, assumptions concerning the general economy, the ability to make necessary capital expenditures, the ability to establish market strength, consumer purchasing trends and preferences, and the ability to stabilize and grow the company's sales base and control future operating expenses. The Debtors believe that the assumptions underlying the Financial Projections are reasonable. However, unanticipated events and circumstances occurring subsequent to the preparation of the Financial Projections may affect the Reorganized Debtors' ability to maximize the intended benefits of the Restructuring and undermine the financial results of the Reorganized Debtors. Therefore, the actual results achieved throughout the periods covered by the Financial Projections necessarily will vary from the projected results, and such variations may be material and adverse.

C. Risks Related to the Debtors' Business

1. A Significant Portion of the Debtors' Net Sales are Based on Transactions with their Largest Customers and the Loss of a Major Customer May Negatively Impact the Debtors' Business

The Debtors' operations depend upon their ability to maintain relations with their customers. For the years ended December 31, 2007 and 2008, sales to the Debtors' largest three customers represented approximately 80% and 79% of their net sales for such periods, respectively, and sales to the Debtors ten largest customers accounted for approximately 85% and 85% of their net sales for such periods, respectively. Although the Debtors cannot assure you that their principal customers will continue to purchase products from them at past levels, they expect a significant portion of their net sales will continue to be concentrated within a small number of customers. The loss of, or significant curtailment of purchases by, one of the Debtors' principal customers could have a material adverse effect on their net sales.

2. The Increased Costs of Components May Adversely Impact the Debtors' Profitability and Cash Flow

During 2008, components comprised approximately 70% of the cost of goods sold. As the cost of these components increase, the Debtors must raise prices to consumers or cut other costs in order to mitigate the impact of higher costs on their margins. While the Debtors generally attempt to pass along increased component prices to customers, there may be a time delay between the increased component prices and their ability to increase the prices of the products, or the Debtors may be unable to increase the prices of the products due to pricing pressure or other factors. In the event that the Debtors are unable to pass all of these costs through to their customers, it could adversely affect their profitability and cash flow.

3. The Debtors' Business are Subject to Significant Competition Worldwide

The manufacture, supply and assembly of wire harnesses are competitive industries. The Debtors are subject to competitive pricing pressures from customers and, to a lesser degree, to the entry of new competitors into the global market or the decision of OEMs to develop capabilities in-house. Some of their competitors will have less indebtedness than the Debtors after the Effective Date and, therefore, more of their cash will be available for business purposes other than debt service. As a result, the Debtors may be unable to compete with other companies in the market during the various stages of the business cycle and particularly during any downturns. If the Debtors cannot compete successfully, their sales and operating results could be materially adversely affected.

4. A Downturn in General Economic Conditions May Adversely Affect the Debtors' Results of Operations

The Financial Projections contained in this Disclosure Statement, assume, among other things, that the general economic conditions of the United States economy, and to a lesser extent, the global economy, will be stable over the next several years. The stability of economic conditions is subject to many factors outside the Debtors' control, including interest rates, inflation, unemployment rates, consumer spending, war, terrorism and other such factors. Any one of these or other economic factors could have a significant impact on the operating performance of the Debtors. In particular, the Debtors' results of operations may be adversely effected by a downturn in housing starts or delays in appliance replacements by end users.

5. Due to Fixed Operating Costs, Revenue Shortfalls Can Have a Disproportionate Effect on the Debtors' Operating Results

The Debtors' operating results may vary significantly for a variety of reasons, including:

- pricing pressures from their customers and pricing competition in their industry:
- timing of orders from and shipments to major customers;
- their production capacity relative to the volume of orders; and
- expenditures in anticipation of future sales.

Because many of the Debtors' operating expenses, such as the costs of running and maintaining their production facilities, are fixed, revenue shortfalls can have a disproportionate effect on their results of operations. In addition, the Debtors' historical results of operations may not be indicative of the results to be expected for any future period as a result of unanticipated revenue shortfalls.

6. Fluctuations in the Availability of Purchased Components Could Have an Adverse Effect on the Debtors' Businesses

The Debtors are dependent upon purchased components, including, connectors, terminals and wire that it purchases from third parties. As a result, the Debtors' results of operations may be adversely affected by the limited availability of components. The Debtors do not typically enter into long-term supply contracts for components. In addition, the Debtors do not hedge against their supply requirements. If the Debtors' suppliers are unable to meet the Debtors' supply requirements, the Debtors could experience supply interruptions which, to the extent the Debtors were unable to find alternate suppliers, could adversely affect the Debtors' results of operations.

7. Fluctuations in Currency Exchange Rates Could Adversely Affect the Debtors' Revenues, Profitability and Cash Flows

The Debtors' foreign operations expose the Debtors to fluctuations in currency exchange rates and currency devaluations. The Debtors report their financial results in U.S. dollars, but a majority of their labor costs are denominated in Mexican pesos and other foreign currencies. As a result, changes in the relative values of U.S. dollars, Mexican pesos and other currencies will affect the Debtors' levels of revenues and profitability. The Debtors have a hedging program with respect to the Mexican peso, but there is no assurance that such program will mitigate all, or a portion, of the currency exchange risks with respect to such currency.

8. Labor Disruptions or Related Cost Increases Could Adversely Affect the Debtors' Business

A work stoppage at one of the Debtors' facilities that lasts for a significant period of time could cause the Debtors to lose sales, incur increased costs and adversely affect their ability to meet customers' needs. Any increases in labor costs or any shutdowns or other employee related disruptions in the Debtors' facilities could also adversely affect the Debtors' business.

9. A Significant Portion of the Debtors' Business is Conducted in Foreign Countries, Exposing Them to Additional Risks that May Not Exist in The United States

International operations represent a significant portion of the Debtors' business and all of the Debtors' manufacturing facilities are located in foreign countries. As a result, the Debtors' operations are subject to a number of potential risks in addition to the risks of their domestic operations. Such risks include, among others:

- inflation or changes in political and economic conditions;
- unstable regulatory environments;
- changes in import and export duties;
- domestic and foreign customs and tariffs;
- potentially adverse tax consequences;
- trade restrictions;
- restrictions on the transfer of funds into or out of a country;
- labor unrest;
- logistical and communications challenges;
- difficulties associated with managing a large organization spread throughout various countries;
- differing protection of intellectual property and trade secrets; and
- other restraints and burdensome taxes.

These factors may have an adverse effect on the Debtors' international operations, or on the ability of their international operations to repatriate earnings to the Debtors, in the future.

10. The Exit Facility Imposes Restrictions that May Hinder the Debtors' Ability to Finance Future Operations or Capital Needs or Engage in Business Activities that May be in their Best Interest

The Exit Facility contains covenants that restrict the Debtors ability to, among other things, incur additional debt, pay dividends, make investments, enter into transactions with affiliates, merge or consolidate with other entities and sell all or substantially all of their assets. Additionally, the Debtors will be required to maintain certain financial ratios. A breach of any these covenants would result in a default under the Exit Facility and could allow the lenders thereunder to declare all amounts outstanding under the Exit Facility due and payable. If the Debtors are unable to repay outstanding borrowings when due, the lenders under the Exit Facility will have the right to proceed against the collateral granted to them.

11. Product Recalls May Adversely Affect the Debtors' Business

In the event the Debtors produce a product that is alleged to contain a manufacturing defect, the Debtors could be required to incur costs involved to recall that product. The cost of carrying out a product recall could be significant and these costs are not generally covered by insurance. In addition, the Debtors' reputation for safety and quality is essential to maintaining their market share. Any recalls may adversely affect the Debtors' reputation as a manufacturer of high-quality products and could have a material adverse effect on their financial condition, results of operations and cash flows.

12. The Debtors are Subject to Environmental Laws and Regulations that Expose Them to Potential Financial Liability

The Debtors' operations are regulated under a number of federal, state, local and foreign environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of, or exposure to, hazardous materials and occupational health and safety. Violations of these laws can lead to material liability, fines or penalties. In addition, it is possible that in the future new or more stringent requirements could be imposed. In addition, because the Debtors are generators of hazardous wastes, they could incur liability for costs associated with remediating disposal sites they use if such sites become contaminated. In some jurisdictions, this liability may be imposed without regard to fault.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PREPACKAGED PLAN

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Prepackaged Plan to the Debtors and to certain holders of Claims and Equity Interests. This discussion does not address the U.S. federal income tax consequences to holders of Claims or Equity Interests who are deemed to reject the Prepackaged Plan or to holders of Claims that are unimpaired or otherwise entitled to payment in full in cash under the Prepackaged Plan.

The discussion of U.S. federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "***Tax Code***"), Treasury regulations, judicial authorities, published positions of the Internal Revenue Service ("***IRS***") and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). The U.S. federal income tax consequences of the contemplated transactions are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or any other tax authority, or an opinion of counsel, with respect to any of the tax aspects of the contemplated transactions, and the discussion below is not binding upon the IRS or such other authorities.

Thus, no assurance can be given that the IRS or such other authorities would not assert, or that a court would not sustain, a different position from any discussed herein.

This summary does not address foreign, state or local tax consequences of the contemplated transactions, nor does it purport to address the U.S. federal income tax consequences of the transactions to special classes of taxpayers (*e.g.*, foreign persons, mutual funds, small business investment companies, regulated investment companies, banks and certain other financial institutions, insurance companies, tax-exempt organizations, holders that are, or hold Claims or Equity Interests through, pass-through entities, persons whose functional currency is not the U.S. dollar, dealers in securities or foreign currency, and persons holding Claims or Equity Interests that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale or conversion transaction). If a partnership holds Claims or Equity Interests, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Moreover, the following discussion does not address U.S. federal taxes other than income taxes, nor does it apply to any person that acquires any of the exchange consideration in the secondary market.

This discussion also assumes that the Claims, the New Common Stock, the Exit Facility Tranche B Term Loans and the Rights are held as "capital assets" (generally, property held for investment) within the meaning of section 1221 of the Tax Code, and that the various debt and other arrangements to which the Debtors are parties will be respected for U.S. federal income tax purposes in accordance with their form.

The following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of Claims or Equity Interests.

IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Claims and Equity Interests are hereby notified that: (A) any discussion of U.S. federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims or Equity Interests for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (b) such discussion is written in connection with the promotion or marketing by the Debtors of the transactions or matters addressed herein; and (c) holders of Claims and Equity Interests should seek advice based on their particular circumstances from an independent tax advisor.

A. Consequences to the Debtors

For U.S. federal income tax purposes, the Debtors are members of an affiliated group of corporations, of which Holdings is the common parent (the "***ECI Group***"), and file a single consolidated federal income tax return.

The ECI Group believes that it had net operating loss ("***NOL***") carryforwards of approximately $71 million for U.S. federal income tax purposes as of the end of 2009. The ECI Group expects to incur further operating losses during its current consolidated taxable year. The amount of any such losses, and the extent to which any limitations on the use of such losses might apply, remains subject to audit and adjustment by the IRS.

As discussed below, in connection with the Prepackaged Plan, the amount of the ECI Group's NOL carryforwards and other losses may be significantly reduced or eliminated, and other tax attributes of the ECI Group (such as tax basis in assets) may be reduced. In addition, the subsequent utilization of any NOL carryforwards and other losses remaining following the Effective Date may be severely restricted.

1. Cancellation of Debt

In general, the Tax Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes – such as NOL carryforwards and current year NOLs, capital loss carryforwards, tax credits, and tax basis in assets – by the amount of any cancellation of debt ("***COD***") incurred pursuant to a confirmed chapter 11 plan. The COD incurred is generally the amount by which the indebtedness discharged (reduced by any unamortized original issue discount) exceeds any consideration given in exchange therefor. Certain statutory or judicial exceptions can generally apply to limit the amount of COD incurred for U.S. federal income tax purposes (*e.g.*, where the cash payment of the cancelled debt would have given rise to a tax deduction, such as in the case of a tax deduction for accrued interest that was deferred until paid in cash under the high-yield discount obligation rules of the Tax Code). If advantageous, the debtor can elect to reduce the basis of depreciable property prior to any reduction in its NOL carryforwards or other tax attributes. Where the debtor joins in the filing of a consolidated federal income tax return, applicable Treasury regulations require, in certain circumstances, that the tax attributes of the consolidated subsidiaries of the debtor and other members of the group also be reduced. Any reduction in tax attributes in respect of excluded COD income does not occur until after the determination of the taxpayer's income or loss for the taxable year in which the COD is incurred.

The Debtors will incur substantial COD as a result of the implementation of the Prepackaged Plan, with the result that there will be substantial reductions in the NOL carryforwards and other tax attributes of the ECI Group. Alternatively, the American Recovery and Reinvestment Act of 2009 permits the Debtors to elect to defer the inclusion of COD income resulting from the Prepackaged Plan, with the amount of COD income becoming includible in their income ratably over a five-taxable year period beginning in the fourth taxable year after the COD income arises if the Prepackaged Plan is consummated in 2010. The collateral tax consequences of making such election are complex. The Debtors do not currently expect to make the deferral election. The amount of COD incurred will depend, in significant part, on the fair market value of the New Common Stock and the "issue price" of the Exit Facility Tranche B Term Loans being issued on the Effective Date (*see* Consequences to Holders of Certain Claims—Ownership and Disposition of the Exit Facility Tranche B Term Loans—Stated Interest and Original Issue Discount, below).

2. Potential Limitations on NOL Carryforwards and Other Tax Attributes

Following the Effective Date, any remaining NOL carryforwards and certain other tax attributes (including current year NOLs) allocable to periods prior to the Effective Date (collectively, "**pre-change losses**") will be subject to limitation under section 382 of the Tax Code as a result of the changes in ownership of the ECI Group, as described below. These limitations apply in addition to, and not in lieu of, the attribute reduction that results from the COD arising in connection with the Prepackaged Plan.

Under section 382 of the Tax Code, if a corporation (or consolidated group) undergoes an "ownership change" and the corporation does not qualify for (or elects out of) the special bankruptcy exception discussed below, the amount of its pre-change losses that may be utilized to offset future taxable income is subject to an annual limitation. The issuance and distribution of the New Common Stock pursuant to the Prepackaged Plan will constitute an "ownership change" of the ECI Group for this purpose.

In general, the amount of the annual limitation to which the pre-change losses of a corporation (or consolidated group) that undergoes an ownership change would be subject is equal to the product of (i) the fair market value of the stock of the corporation (or, in the case of a consolidated group, the common parent) *immediately before* the ownership change (with certain adjustments) multiplied by (ii) the "long term tax exempt rate" in effect for the month in which the ownership change occurs (4.14% for ownership changes occurring in February 2010). As discussed below, this annual limitation often may be increased in the event the corporation (or consolidated group) has an overall "built-in" gain in its assets at the time of the ownership change. For a corporation (or consolidated group) in bankruptcy that undergoes an ownership change pursuant to a confirmed bankruptcy plan, the stock value generally is determined immediately *after* (rather than before) the ownership change after giving effect to the surrender of creditors' claims, but subject to certain adjustments (which can result in a reduced stock value); in no event, however, can the stock value for this purpose exceed the pre-change gross value of the corporation's assets.

Any portion of the annual limitation that is not used in a given year may be carried forward, thereby adding to the annual limitation for the subsequent taxable year. However, if the corporation (or the consolidated group) does not continue its historic business or use a significant portion of its historic assets in a new business for at least two years after the ownership change, or possibly if certain shareholders claim worthless stock deductions and continue to hold their stock in the corporation (or the parent of the consolidated group) at the end of the taxable year, the annual limitation resulting from the ownership change is reduced to zero, thereby precluding any utilization of the corporation's pre-change losses, absent any increases due to recognized built in gains discussed below. It is expected that the Reorganized Debtors will continue the Debtors' historic businesses and that the Debtors will not claim any worthless stock deduction with respect to their Equity Interests in Subsidiary Debtors. Pursuant to the Plan Support Agreement, certain holders representing a majority of the outstanding shares of each of Holdings Preferred Stock and Holdings Common Stock have agreed not to claim a worthless stock deduction with respect to their Equity Interests in Holdings. In addition, pursuant to Section III.J.11 of the Prepackaged Plan, any person or group of persons constituting a "fifty percent shareholder" of Holdings within the meaning of section 382(g)(4)(D) of the Tax Code will be enjoined from claiming a worthless stock deduction with respect to any Equity Interests in Holdings held by such persons. Generally, NOL carryforwards expire after 20 years.

Accordingly, the impact of an ownership change of the ECI Group pursuant to the Prepackaged Plan depends upon, among other things, the amount of pre-change losses remaining after the reduction of attributes due to the COD, the value of both the stock and assets of the respective groups at such time, the continuation of their respective businesses, the absence of a claim of worthless stock deduction by certain shareholders and the amount and timing of future taxable income.

a. *Built In Gains and Losses.* Section 382 of the Tax Code can operate to limit the deduction of built-in losses recognized subsequent to the date of the ownership change. If a loss corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income, gain, loss and deduction), then any built-in losses recognized during the following five years (up to the amount of the original net unrealized built-in loss) generally will be treated as pre-change losses and similarly will be subject to the annual limitation.

Conversely, if the loss corporation (or consolidated group) has a net unrealized built-in gain at the time of an ownership change, any built-in gains recognized (or, according to an IRS notice, treated as recognized) during the following five years (up to the amount of the original net unrealized built-in gain) generally will increase the annual limitation in the year recognized, such that the loss corporation (or consolidated group) would be permitted to use its pre-change losses against such built-in gain income in addition to its regular annual allowance.

The presence of a net unrealized built-in gain or net unrealized built-in loss position for a corporation (or consolidated group) depends, among other things, on the value of the assets of the corporation (or consolidated group) at the time of the ownership change.

Although the rule applicable to net unrealized built-in losses generally applies to consolidated groups on a consolidated basis, certain corporations that join the consolidated group within the preceding five years may not be able to be taken into account in the group computation of net unrealized built-in loss. Such corporations would nevertheless be taken into account in determining whether the consolidated group has a net unrealized built-in gain. In general, a loss corporation's (or consolidated group's) net unrealized built-in gain or loss will be deemed to be zero unless it is greater than the lesser of (i) $10 million or (ii) 15% of the fair market value of its assets (with certain adjustments) before the ownership change. Whether the ECI Group will benefit from adjustment for "built-in" gains or be subject to the limitation for "built-in" losses will depend upon the respective value of the ECI Group's assets immediately before the Effective Date.

b. *Special Bankruptcy Exception to Annual Limitation on Pre-change Losses and Built-in Losses.* An exception to the foregoing annual limitation rules generally applies where qualified creditors of a debtor corporation receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in bankruptcy) pursuant to a confirmed chapter 11 plan. This exception is potentially applicable in respect of the Debtors. However, it is not currently anticipated that this exception would provide any material benefit in the present case, and accordingly, Debtors expect to elect out of the exception.

3. Alternative Minimum Tax

In general, a U.S. federal alternative minimum tax ("***AMT***") is imposed on a corporation's alternative minimum taxable income at a 20% rate to the extent that such tax exceeds the corporation's regular U.S. federal income tax. For purposes of computing taxable income for AMT purposes, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular income tax purposes by available NOL carryforwards, only 90% of a corporation's taxable income for AMT purposes may be offset by available NOL carryforwards (as computed for AMT purposes).

In addition, if a corporation (or consolidated group) undergoes an "ownership change" within the meaning of section 382 of the Tax Code and is in a net unrealized built-in loss position (as determined for AMT purposes) on the date of the ownership change, the corporation's (or consolidated group's) aggregate tax basis in its assets would be reduced for certain AMT purposes to reflect the fair market value of such assets as of the change date.

Any AMT that a corporation pays generally will be allowed as a nonrefundable credit against its regular federal income tax liability in future taxable years when the corporation is no longer subject to the AMT.

B. Consequences to Holders of Certain Claims

Pursuant to the Prepackaged Plan, and in satisfaction of their respective Claims:

(i) Each holder of an Allowed First Lien Lender Claim shall be entitled to receive, in full satisfaction of its Claim, such holder's *pro rata* share (based upon the principal amount of First Lien Lender Loans held by each holder divided by the aggregate outstanding principal amount of First Lien Lender Loans) of (a) 50,000,000 shares of the New Common Stock unless a Cash Election is made and (b) the Exit Facility Tranche B Term Loans;

(ii) In lieu of a distribution of its *pro rata* share of 50,000,000 shares of the New Common Stock, each holder of an Allowed First Lien Lender Claim may elect the Cash Election; provided; that the aggregate amount of shares of New Common Stock on account of which the Electing Lenders may receive Cash distributions pursuant to the Cash Election shall not exceed the Subscription Limit. In the event that the Electing Lenders elect to receive Cash on account of shares of New Common Stock in an aggregate number in excess of the Subscription Limit, then the number of shares of New Common Stock on account of which each Electing Lender shall receive Cash pursuant to the Cash Election shall be reduced on a *pro rata* basis (based upon the number of shares of New Common Stock on account of which each Electing Lender elected to receive Cash divided by the aggregate number of shares of New Common Stock on account of which all Electing Lenders elected to receive Cash) until the aggregate number of shares on account of which Cash will be distributed pursuant to the Cash Election is equal to the Subscription Limit, and the Electing Lenders shall receive the Oversubscribed Election Shares as if there had been no Cash Election available with respect to such Oversubscribed Election Shares; and

(iii) Each holder of an Allowed Second Lien Lender Claim shall be entitled to receive, in full satisfaction of its Claim, such holder's *pro rata* share (based upon the principal amount of Second Lien Lender Loans held by each holder divided by the aggregate outstanding principal amount of Second Lien Lender Loans) of $10.0 million in Cash.

1. Consequences to Holders of First Lien Lender Claims

The U.S. federal income tax consequences of the Prepackaged Plan to holders of the Allowed First Lien Lender Claims depend, in part, on whether the holder's existing Claims constitute "securities" for U.S. federal income tax purposes, and if so, whether the Exit Facility Tranche B Term Loans received therefor also constitute "securities" for U.S. federal income tax purposes (such that the exchange would qualify for "recapitalization" treatment under the Tax Code) and on whether the Prepackaged Plan is otherwise recharacterized as a non-recognition transaction.

This determination is made separately for each class or type of Claim. For example, if the Allowed First Lien Lender Claims constitute securities and the Exit Facility Tranche B Term Loans received in exchange for such Claims also constitute securities, then such exchange will be treated as a "recapitalization" for U.S. federal income tax purposes, with the consequences described below in "—Potential Recapitalization Treatment." If, on the other hand, either the Allowed First Lien Lender Claims or the Exit Facility Tranche B Term Loans do not constitute securities, and the Prepackaged Plan is not otherwise recharacterized as a non-recognition transaction, the receipt of the Exit Facility Tranche B Term Loans in satisfaction of the Allowed First Lien Lender Claims would be treated as a fully taxable transaction, with the consequences described below in "—Fully Taxable Exchange."

The term "security" is not defined in the Tax Code or in the Treasury regulations issued thereunder and has not been clearly defined by judicial decisions. The determination of whether a particular debt obligation constitutes a "security" depends on an overall evaluation of the nature of the debt. One of the most significant factors considered in determining whether a particular debt is a security is its original term. In general, debt obligations issued with a weighted average maturity at issuance of less than five (5) years do not constitute securities, whereas debt obligations with a weighted average maturity at issuance of ten (10) years or more constitute securities. Additionally, the IRS has ruled that new debt instruments with a term of less than five (5) years issued in exchange for and bearing the same terms (other than interest rate) as securities should also be classified as securities for this purpose, since the new debt represents a continuation of the holder's investment in the corporation in substantially the same form. Based on the terms of the First Lien Credit Agreement, the Debtors intend to take the position that the Allowed First Lien Lender Claims do not constitute securities and that the Prepackaged Plan is a fully taxable exchange for holders of the Allowed First Lien Lender Claims. Without regard to whether the Allowed First Lien Lender Claims or the Exit Facility Tranche B Term Loans are treated as "securities," it is possible that the Prepackaged Plan could otherwise be recharacterized as a non-recognition transaction, which would preclude a holder of an Allowed First Lien Lender Claim from recognizing any loss in connection with the Prepackaged Plan. All holders of the Allowed First Lien Lender Claims are urged to consult their tax advisors regarding the correctness of the Debtors' position with respect to the appropriate status of their Claims and the taxability of the Prepackaged Plan for U.S. federal income tax purposes. The remainder of this discussion assumes, except as otherwise noted, that the Allowed First Lien Lender Claims would not be treated as securities and that the Prepackaged Plan would not otherwise be recharacterized as a non-recognition transaction.

a. *Fully Taxable Exchange*. The holder generally should recognize gain or loss in an amount equal to the difference, if any, between (i) the sum of (x) the amount of any Cash, (y) the "issue price" of the Exit Facility Tranche B Term Loans (*see* "—Ownership and Disposition of the Exit Facility Tranche B Term Loans—Stated Interest and Original Issue Discount," below) and (z) the fair market value of the New Common Stock received, other than any amount allocable to accrued and unpaid interest, and (ii) the holder's adjusted tax basis in the Allowed First Lien Lender Claims exchanged (other than any basis attributable to accrued but unpaid interest). *See* "—Character of Gain or Loss," below. The Debtors will provide holders with their estimate of the fair market value of the New Common Stock upon request from such holders. In addition, a holder of an Allowed First Lien Lender Claim will have interest income to the extent of any cash paid on account of accrued and unpaid interest not previously included in income. *See* "— Payment of Accrued Interest," below.

A holder's tax basis in the Exit Facility Tranche B Term Loans received will equal the issue price of such debt. A holder's basis in the New Common Stock received will be the fair market value of such stock. A holder's holding period in such Exit Facility Tranche B Term Loans or New Common Stock will begin on the day following the Effective Date.

b. *Potential Recapitalization Treatment.* If, contrary to the Debtors' treatment, the Allowed First Lien Lender Claims were to be treated as securities for U.S. federal income tax purposes, the exchange for the Exit Facility Tranche B Term Loans, the New Common Stock and Cash would qualify as a recapitalization if the Exit Facility Tranche B Term Loans so received constitute securities for U.S. federal income tax purposes.

The classification of an exchange as a recapitalization for U.S. federal income tax purposes (as discussed above) generally serves to defer the recognition of any gain or loss by the holder. However, a holder would generally still be required to recognize that gain to the extent, if any, that the holder receives consideration that is neither stock nor securities of the exchanging company. Accordingly, a holder of an Allowed First Lien Lender Claim generally will not recognize any gain or loss upon the exchange, but will recognize its gain, if any, to the extent of (i) the amount of any Cash and (ii) the fair market value of the New Common Stock received in the exchange. Such holder will also have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. *See* "—Payment of Accrued Interest," below.

In a recapitalization exchange, a holder's aggregate tax basis in any Exit Facility Tranche B Term Loans (if such loans constitute securities) received should equal the holder's aggregate adjusted tax basis in the Allowed First Lien Lender Claims exchanged therefor, increased by any gain or interest income recognized in the exchange, and decreased by any consideration received that does not constitute securities of ECI (*i.e.*, the amount of cash and the fair market value of the New Common Stock). In general, a holder's holding period in any Exit Facility Tranche B Term Loans (if such loans are securities) received will include the holder's holding period in the Allowed First Lien Lender Claim exchanged, except to the extent of any of the consideration treated as received in respect of accrued but unpaid interest. A holder's tax basis in the New Common Stock received will be the fair market value of such stock. A holder's holding period in such New Common Stock will begin on the day following the Effective Date.

2. Consequences to Holders of Second Lien Lender Claims

The exchange of the Allowed Second Lien Lender Claims for Cash should be a taxable exchange to the holders of the Allowed Second Lien Lender Claims. As a result, a holder should recognize gain or loss on the exchange in an amount equal to the difference, if any, between (i) the amount of Cash received (other than Cash received in respect of any Claim for accrued but unpaid interest), and (ii) the holder's adjusted tax basis in the Allowed Second Lien Lender Claims exchanged (other than any basis attributable to accrued but unpaid interest). In addition, a holder of the Allowed Second Lien Lender Claims will have interest income to the extent of any exchange consideration allocable to accrued but unpaid interest not previously included in income. *See* "— Character of Gain or Loss" and "— Payment of Accrued Interest," below.

3. Character of Gain or Loss

Where gain or loss is recognized by a holder in respect of the satisfaction and exchange of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including, among others, the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount, and whether and to what extent the holder previously had claimed a bad debt deduction. Each holder of a Claim is urged to consult its tax advisor for a determination of the character of any gain or loss recognized in respect to the satisfaction of its Claim.

Holders of Claims who recognize capital losses as a result of the distributions under the Prepackaged Plan will be subject to limits on their use of capital losses. For noncorporate holders, capital losses may be used to offset (x) any capital gains (without regard to holding periods) plus (y) ordinary income to the extent of the lesser of (1) $3,000 ($1,500 for married individuals filing separate returns) or (2) the excess of the capital losses over the capital gains. Holders, other than corporations, may carry over unused capital losses and apply them to capital gains and a portion of their ordinary income for an unlimited number of years. For corporate holders, losses from the sale or exchange of capital assets may only be used to offset capital gains. Corporate holders who have more capital losses than can be used in a tax year may be allowed to carry over unused capital losses for the five (5) taxable years following the capital loss year, but are generally allowed to carry back unused capital losses to the three (3) taxable years preceding the capital loss year.

A holder that purchased its Allowed First Lien Lender Claims or Allowed Second Lien Lender Claims from a prior holder at a "market discount" (relative to the principal amount of the Allowed First Lien Lender Claims or Allowed Second Lien Lender Claims at the time of acquisition) may be subject to the market discount rules of the Tax Code. In general, a debt instrument is considered to have been acquired with "market discount" if the holder's adjusted tax basis in the debt instrument is less than (i) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" (generally, a constant stated amount of interest payable in cash at least annually) or (ii) in the case of a debt instrument issued with "original issue discount," its adjusted issue price, in each case by at least a *de minimis* amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Under these rules, any gain recognized on the exchange of claims generally is treated as ordinary income to the extent of any market discount accrued during the holder's period of ownership, unless the holder elected to include the market discount in income as it accrued. If a holder did not elect to include market discount in income as it accrued and thus, under the market discount rules, was required to defer all or a portion of any deductions for interest on debt incurred or maintained to purchase or carry its Claims, such deferred amounts would become deductible at the time of the exchange, up to the amount of gain that the holder recognizes in the exchange.

4. Payment of Accrued Interest

In general, to the extent that any consideration received pursuant to the Prepackaged Plan by a holder of an Allowed Claim is received in satisfaction of interest or original issue discount ("***OID***") accrued during its holding period, such amount will be taxable to the holder as interest income (to the extent not previously included in the holder's gross income). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed or amortized OID was previously included in its gross income and is not paid in full. However, the IRS has privately ruled that a holder of a security of a corporate issuer, in an otherwise tax-free exchange, could not claim a current deduction with respect to any unpaid OID. Accordingly it is unclear whether, by analogy, a holder of a Claim that does not constitute a security would be required to recognize a capital loss, rather than an ordinary loss, with respect to previously included OID that is not paid in full.

The Prepackaged Plan provides that consideration received in respect of a Claim is allocable first to the principal amount of the Claim (as determined for U.S. federal income tax purposes) and then, to the extent of any excess, to the remainder of the Claim, including any Claim for accrued but unpaid interest (in contrast, for example, to a *pro rata* allocation of a portion of the exchange consideration received between principal and interest, or an allocation first to accrued but unpaid interest). *See* Section III.E.12 – "THE PREPACKAGED PLAN – Provisions Governing Distributions – Allocations of Payments under the Prepackaged Plan." There is no assurance that the IRS will respect such allocations for U.S. federal income tax purposes. Each holder of a Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of accrued but unpaid interest for U.S. federal income tax purposes.

5. Ownership and Disposition of Exit Facility Tranche B Term Loans

a. *Stated Interest and Original Issue Discount.* A holder of the Exit Facility Tranche B Term Loans will be required to include stated interest on its Exit Facility Tranche B Term Loans in income in accordance with the holder's regular method of tax accounting to the extent such stated interest is "qualified stated interest." Stated interest is "qualified stated interest" if it is payable in cash at least annually. The stated interest on the Exit Facility Tranche B Term Loans will be qualified stated interest.

A debt instrument generally has OID if its "stated redemption price at maturity" exceeds its "issue price" by more than a *de minimis* amount. A debt instrument's stated redemption price at maturity includes all principal and interest payable over the term of the debt instrument, other than qualified stated interest.

The "issue price" of the Exit Facility Tranche B Term Loans issued under the Prepackaged Plan depends on whether, at any time during the 60-day period ending 30 days after the Effective Date, such loans are traded on an "established market" or the First Lien Lender Claims exchanged (in whole or in part) for loans are traded on an established market. Pursuant to applicable Treasury regulations, an "established market" need not be a formal market. It is sufficient that a debt instrument appear on a system of general circulation (including a computer listing disseminated to subscribing brokers, dealers or traders) that provides a reasonable basis to determine fair market value by disseminating either recent price quotations or actual prices of recent sales transactions. Also, under certain circumstances, debt instruments are considered to be traded on an established market when price quotations for such debt instruments are readily available from dealers, brokers or traders.

If the Exit Facility Tranche B Term Loans are considered traded on an established market, their issue price will equal their fair market value as of the Effective Date. If the Exit Facility Tranche B Term Loans are not traded on an established market, their issue price generally will depend on whether a substantial amount of the Allowed First Lien Lender Claims exchanged for such loans are considered to be traded on an established market. If a substantial amount of such Claims exchanged are so treated, the issue price of the Exit Facility Tranche B Term Loans will be based on the fair market value of such Claims, adjusted for any other consideration (*i.e.*, Cash and New Common Stock) received in the exchange. If, however, neither the Exit Facility Tranche B Term Loans nor the Allowed First Lien Lender Claims are traded on an established market, the issue price of the Exit Facility Tranche B Term Loans will equal their stated principal amount.

It is uncertain whether the First Lien Lender Claims are, or the Exit Facility Tranche B Term Loans will be, traded on an established market. The Debtors intend, however, to take the position that the First Lien Lender Claims have been traded on an established market during the relevant period. Accordingly, the Debtors intend to treat the Exit Facility Tranche B Term Loans as having an issue price equal to the fair market value of Allowed First Lien Lender Claims for which the Exit Facility Tranche B Term Loans are issued. In general, the Debtors' determination of issue price will be binding on all holders, other than a holder that explicitly discloses its inconsistent treatment in a statement attached to its timely filed tax return for the taxable year in which the exchange occurs. There can be no assurance, however, that the IRS will not successfully assert a contrary position.

If the Exit Facility Tranche B Term Loans are treated as having an issue price which is lower than their stated redemption price at maturity, such loan will be treated as issued with OID to the extent that their issue price is less than their principal amount by more than a *de minimis* amount. Depending on the fair market value of the Exit Facility Tranche B Term Loans, the total amount of OID could be substantial.

A holder of the Exit Facility Tranche B Term Loan that is issued with OID generally will be required to include any OID in income over the term of such loan (for so long as such loan continues to be owned by the holder) in accordance with a constant yield-to-maturity method, regardless of whether the holder is a cash or accrual method taxpayer, and regardless of whether and when the holder receives cash payments of interest on such loan. Accordingly, a holder could be treated as receiving interest income in advance of a corresponding receipt of cash. Any OID that a holder includes in income will increase the holder's tax basis in its Exit Facility Tranche B Term Loans. A holder of the Exit Facility Tranche B Term Loans will not be separately taxable on any cash payments of interest that have already been taxed under the OID rules, but will reduce its tax basis in such loans by the amount of such payments.

In compliance with applicable Treasury regulations, the Debtors will furnish annually to the IRS information describing the amount of accrued OID, if any. The rules regarding the determination of issue price and OID are complex, and the OID rules described above may not apply in all cases. Accordingly, each holder of an Allowed First Lien Lender Claim is urged to consult its tax advisor regarding the determination of the issue price of the Exit Facility Tranche B Term Loans and the possible application of the OID rules.

b. *Sale, Exchange or Other Disposition of the Exit Facility Tranche B Term Loans.* Except as discussed above with respect to market discount (see "—Character of Gain or Loss"), any gain or loss recognized by a holder on a sale, exchange or other disposition of Exit Facility Tranche B Term Loans (other than amounts attributable to accrued but unpaid stated interest, which will be taxable as ordinary income for U.S. federal income tax purposes to the extent not previously included in income) generally will be capital gain or loss in an amount equal to the difference, if any, between the amount realized by the holder and the holder's adjusted tax basis in the Exit Facility Tranche B Term Loans immediately before the sale, exchange, redemption or other disposition (increased by any OID accrued through the date of disposition, which OID would be includible as ordinary income). Any such gain or loss generally will be long-term capital gain or loss if the holder's holding period in its Exit Facility Tranche B Term Loans is more than one year at that time.

6. Disposition of New Common Stock

Subject to the discussion below, any gain or loss recognized by a holder on the sale, exchange, or other disposition of the New Common Stock generally will be capital gain or loss in an amount equal to the difference, if any, between the amount realized by the holder and the holder's adjusted tax basis in the New Common Stock immediately before the sale, exchange, or other disposition. Any such gain or loss generally will be long-term if the holder's holding period for its stock is more than one year at that time. The use of capital losses is subject to limitations.

Notwithstanding the above, any gain recognized by a holder upon a subsequent taxable disposition of the stock (or any stock or property received for it in a later tax-free exchange) will be treated as ordinary income for U.S. federal income tax purposes to the extent of (i) any bad debt deductions (or additions to a bad debt reserve) claimed with respect to the Allowed First Lien Lender Claims for which stock was received and any ordinary loss deductions incurred upon satisfaction of such Claims, less any income (other than interest income) recognized by the holder upon satisfaction of such Claims, and (ii) with respect to a cash method holder, also any amounts which would have been included in its gross income if the holder's Claim had been satisfied in full but which was not included by reason of the cash method of accounting.

C. Consequences to Holders of Allowed Holdings Preferred Equity Interests

Pursuant to the Prepackaged Plan, each holder of Allowed Holdings Preferred Equity Interests will be entitled to receive its *pro rata* share (based upon the number of shares of Holdings Preferred Stock held by each holder divided by the aggregate outstanding number of shares of Holdings Preferred Stock) of the Rights in full satisfaction of its Allowed Holdings Preferred Equity Interests.

The U.S. federal income tax treatment of a holder's exchange of its Allowed Holdings Preferred Equity Interests for its *pro rata* share of the Rights is not clear. Such treatment will depend in part on whether the receipt of such interest is a "closed transaction" or an "open transaction" for U.S. federal income tax purposes, and in part on whether the Rights are treated as a right to payment under a contract or as a debt instrument for U.S. federal income tax purposes.

Open transaction treatment will apply only if the fair market value of the Rights cannot reasonably be ascertained at the time of the exchange. Because the relevant Treasury regulations indicate that the open transaction method will only apply in "rare and extraordinary cases" and because the amount payable under the Rights is entirely contingent upon future events that will determine the amount of the recoveries to holders of Allowed Holdings Preferred Equity Interests, the Debtors intend to take the position, and the following discussion assumes, that closed transaction treatment applies and that the Rights are rights to payment under a contract rather than debt instruments.

There is no assurance that the IRS would not take a contrary position. The IRS may treat the Rights as debt instruments or treat the exchange as an open transaction. If so treated, the tax consequences to holders of Allowed Holdings Preferred Equity Interests may be materially different from the treatment described below. Accordingly, each holder of an Allowed Holdings Preferred Equity Interest is urged to consult its tax advisor regarding the correctness of the Debtors' position with respect to the Rights and the tax consequences of the exchange and of the ownership of the Rights if the Debtors' position is not correct.

1. Consequences of the Exchange to Holders of Allowed Holdings Preferred Equity Interests

a. *Fully Taxable Exchange.* The exchange of the Allowed Holdings Preferred Equity Interests for the Rights pursuant to the Prepackaged Plan should be a taxable exchange to the holders of such interests. As a result, a holder should recognize gain or loss on the exchange in an amount equal to the difference, if any, between (i) the fair market value of the Rights received on the Effective Date and (ii) the holder's adjusted tax basis in its Allowed Holdings Preferred Equity Interests. Such gain or loss will be capital in nature so long as the Allowed Holdings Preferred Equity Interests are held as capital assets and will be long-term capital gain or loss if the Allowed Holdings Preferred Equity Interests were held for more than one year. The holder's initial tax basis in the Rights received will equal the fair market value of such rights on the Effective Date. A holder's holding period in such rights should begin on the day following the Effective Date.

b. *Potential Treatment as Open Transaction.* If a holder's receipt of its *pro rata* share of the Rights in exchange for its Allowed Holdings Preferred Equity Interests is treated as an "open transaction" for U.S. federal income tax purposes, the holder would not take such *pro rata* share of the Rights into account on the Effective Date for purposes of determining gain or loss with respect to the exchange. Instead, in such event, the holder would take no tax basis in its *pro rata* share of the Rights, but would be subject to tax as payments with respect to the Rights are made or deemed made in accordance with the holder's regular method of accounting. A portion of such payments would be treated as interest income under section 483 of the Tax Code (as discussed below), then as a recovery of basis in the holder's Allowed Holdings Preferred Interests, and the balance, in general, as capital gain. To the extent that a holder has unrecovered basis in its Allowed Holdings Preferred Equity Interests after all payment rights under the Rights terminate, such unrecovered basis generally will be treated as a capital loss.

2. Ownership of the Rights

Holders of the Rights are entitled to receive payments in the future if certain equity value thresholds are satisfied upon a Liquidity Event. If the exchange of the Allowed Holdings Preferred Equity Interests for the Rights is treated as "closed transaction" for U.S. federal income tax purposes, when a payment is made in the future with respect to the Rights, each holder of a *pro rata* share of the Rights will recognize gain in the amount by which the payment (other than the portion characterized as interest as described below) exceeds the holder's tax basis in its Rights. If no payment is made, or if the payment is less than the holder's tax basis in its Rights, the holder will recognize a loss.

Although not free from doubt, any payment made in the future to a holder of a *pro rata* share of the Rights should be treated as a payment under a contract for the sale or exchange of such holder's Allowed Holdings Preferred Equity Interests. Under section 483 of the Tax Code, a portion of any payment made in the future to a holder of a *pro rata* share of the Rights may be treated as imputed interest. The imputed interest amount will equal the excess of the amount received over its present value on the date of the exchange, calculated using the "applicable federal rate" as the discount rate. The portion of the payment made to a holder of a *pro rata* share of the Rights that is not treated as imputed interest will be treated as sales proceeds from the exchange of its share of the Rights, as discussed above.

D. Information Reporting and Backup Withholding

Payments of interest or dividends (including accruals of OID) and any other reportable payments may be subject to "backup withholding" (currently at a rate of 28%) if a recipient of those payments fails to furnish to the payor certain identifying information. Backup withholding is not an additional tax. Any amounts deducted and withheld should generally be allowed as a credit against that recipient's U.S. federal income tax, provided that the required information is timely provided to the IRS. Furthermore, certain penalties may be imposed by the IRS on a recipient of payments that is required to supply information but that does not do so in the proper manner. Backup withholding generally should not apply with respect to payments made to certain exempt recipients, such as corporations and financial institutions. Information may also be required to be provided to the IRS concerning payments, unless an exemption applies. Holders should consult their tax advisors regarding their qualification for exemption from backup withholding and information reporting and the procedures for obtaining such an exemption.

Treasury regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of certain thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the exchanges contemplated by the Prepackaged Plan would be subject to these regulations and require disclosure on the holders' tax returns.

VIII. CONFIRMATION OF THE PREPACKAGED PLAN

A. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold the Confirmation Hearing. On, or as promptly as practicable after the Petition Date, the Debtors will request that the Bankruptcy Court schedule the Confirmation Hearing. Notice of the Confirmation Hearing will be provided to all known creditors and equity holders or their representatives. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Prepackaged Plan must be in writing, must conform to the Bankruptcy Rules and the Local Bankruptcy Rules, must set forth the name of the objecting party, the nature and amount of claims or interests held or asserted by the objecting party against the Debtors' Estates and the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, together with proof of service thereof, and served upon (1) Weil, Gotshal & Manges LLP, 200 Crescent Court, Suite 300, Dallas, Texas 75201, Attn: Stephen A. Youngman, Esq., (2) Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, Delaware 19801, Attn: Mark D. Collins, Esq., (3) Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022, Attn: David S. Heller, Esq., (4) Goodwin Procter LLP, The New York Times Building, 620 Eighth Avenue, New York, New York 10018, Attn: Emanuel Grillo, Esq., (5) Ropes & Gray LLP, One International Place, Boston, Massachusetts 02110, Attn: Alyson Allen, Esq., (6) Shearman & Sterling LLP, 525 Market Street, San Francisco, California 94105, Attn: Michael Kennedy, (7) the Office of the United States Trustee for the District of Delaware, 844 King Street, Suite 2207, Wilmington, Delaware 19801, and (8) such other parties as the Bankruptcy Court may order, so as to be received no later than the date and time designated in the notice of the Confirmation Hearing.

Objections to confirmation of the Prepackaged Plan are governed by Bankruptcy Rule 9014. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

B. Requirements for Confirmation of the Prepackaged Plan – Consensual Confirmation

1. General Requirements

At the Confirmation Hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

- The Prepackaged Plan complies with the applicable provisions of the Bankruptcy Code.

- The Debtors have complied with the applicable provisions of the Bankruptcy Code.

- The Prepackaged Plan has been proposed in good faith and not by any means proscribed by law.

- Any payment made or promised by the Debtors or by a Person issuing securities or acquiring property under the Prepackaged Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Prepackaged Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before Confirmation of the Prepackaged Plan is reasonable, or if such payment is to be fixed after confirmation of the Prepackaged Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

- The Debtors have disclosed (i) the identity and affiliations of any individual proposed to serve, after Confirmation of the Prepackaged Plan, as a director, officer or voting trustee of the Reorganized Debtors, (ii) any affiliate of the Debtors participating in the Prepackaged Plan with the Debtors, or a successor to the Debtors under the Prepackaged Plan, and (iii) the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy, and the Debtors have disclosed the identity of any insider that will be employed or retained by the Debtors, and the nature of any compensation for such insider.

- Any governmental regulatory commission with jurisdiction, after confirmation of the applicable Prepackaged Plan, over the rates of the Debtors, as applicable, has approved any rate change provided for in the applicable Prepackaged Plan, or such rate change is expressly conditioned on such approval.

- With respect to each Class of Claims or Equity Interests, each holder of an impaired Claim or impaired Equity Interest either has accepted the Prepackaged Plan or will receive or retain under the Prepackaged Plan on account of such holder's Claim or Equity Interest, property of a value, as of the Effective Date of the Prepackaged Plan, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. See discussion of "Best Interests Test" below.

- Except to the extent the Prepackaged Plan meets the "Non-consensual Confirmation" standards of the Bankruptcy Code, each Class of Claims or Equity Interests has either accepted the Prepackaged Plan or is not impaired under the Prepackaged Plan.

- Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Prepackaged Plan provides that Administrative Expense Claims and Other Priority Claims, other than Priority Tax Claims, will be paid in full on the Effective Date and that Priority Tax Claims will receive on account of such Claims deferred Cash payments, over a period not exceeding five (5) years after the date of the Final Order for relief, of a value, as of the Effective Date, equal to the Allowed amount of such Claims with interest from the Effective Date.

- At least one class of impaired Claims has accepted the Prepackaged Plan, determined without including any acceptance of the Prepackaged Plan by any insider holding a Claim in such Class.

- Confirmation of the Prepackaged Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors under the

Prepackaged Plan, unless such liquidation or reorganization is proposed in the Prepackaged Plan. See discussion of "Feasibility Analysis" below.

- All fees payable under section 1930 of title 28, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Prepackaged Plan provides for the payment of all such fees on the Effective Date of the Prepackaged Plan.

- The Prepackaged Plan provides for the continuation after the Effective Date of payment of all retiree benefits (as defined in section 1114(a) of the Bankruptcy Code), at the level established pursuant to section 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code at any time prior to Confirmation of the Prepackaged Plan, for the duration of the period the Debtors have obligated themselves to provide such benefits.

2. Best Interest Test

The Bankruptcy Code requires that each holder of an impaired Claim or Equity Interest either (i) accept the Prepackaged Plan or (ii) receive or retain under the Prepackaged Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. Other liquidation costs include the expenses incurred during the Chapter 11 Cases allowed in the chapter 7 case, such as compensation for attorneys, financial advisors, appraisers, accountants and other professionals for the Debtors, as well as other Professional Compensation and Reimbursement Claims. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the Chapter 11 Cases.

The foregoing types of Claims, costs, expenses, fees and such other Claims that may arise in a liquidation case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-chapter 11 priority and unsecured claims. The Debtors believe that in a chapter 7 liquidation, the prepetition Claims or Equity Interests would receive significantly less distribution of property, if any.

The Debtors' liquidation analysis is an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation of the Debtors. The analysis is based on a number of significant assumptions which are described below. The liquidation analysis does not purport to be a valuation of the Debtors' assets and is not necessarily indicative of the values that may be realized in an actual liquidation.

3. Liquidation

The Debtors' liquidation analysis is attached as Exhibit E hereto.

4. Feasibility Analysis

The Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Prepackaged Plan meets this requirement, the Debtors have analyzed their ability to meet their obligations under the Prepackaged Plan. As part of this analysis, the Debtors have prepared the Financial Projections described in Section V above. Based upon the Financial Projections, the Debtors believe that they will be able to make all payments required pursuant to the Prepackaged Plan and, therefore, that confirmation of the Prepackaged Plan is not likely to be followed by liquidation or the need for further reorganization.

C. Requirements for Confirmation of the Prepackaged Plan – Non-Consensual Confirmation

The Bankruptcy Code permits the Bankruptcy Court to confirm a chapter 11 plan of reorganization over the dissent of any Class of Claims or Equity Interests as long as the standards in section 1129(b) are met. This power to confirm a plan over dissenting classes – often referred to as "cram down" – is an important part of the reorganization process. It assures that no single group (or multiple groups) of claims or interests can block a restructuring that otherwise meets the requirements of the Bankruptcy Code and is in the interests of the other constituents in the case.

The Bankruptcy Court may confirm the Prepackaged Plan over the rejection or deemed rejection of the Prepackaged Plan by a Class of Claims or Equity Interests if the Prepackaged Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

1. *No Unfair Discrimination.*

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under a plan of reorganization. The test does not require that the treatment be the same or equivalent, but that such treatment be "fair."

2. *Fair and Equitable Test.*

This test applies to classes of different priority (*e.g.*, unsecured versus secured) and includes the general requirement that no Class of Claims receive more than 100% of the allowed amount of the claims in such class. As to the dissenting class, the test sets different standards, depending on the type of claims or interests in such class.

- *Secured Claims.* Each holder of an impaired secured claim either (i) retains its liens on the property (or if sold, on the proceeds thereof) to the extent of the allowed amount of its secured claim and receives deferred Cash payments having a total value, as of the effective date of the plan, of at least the allowed amount of such claim or (ii) receives the "indubitable equivalent" of its allowed secured claim.

- *Unsecured Claims.* Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed unsecured claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive or retain any property under the plan of reorganization.

- *Equity Interests.* Either (i) each equity interest holder will receive or retain under the plan of reorganization property of a value equal to the greater of (a) the fixed liquidation preference or redemption price, if any, of such stock and (b) the value of the stock, or (ii) the holders of interests that are junior to the equity interests of the dissenting class will not receive or retain any property under the plan of reorganization.

The Debtors believe that the Prepackaged Plan will satisfy the "fair and equitable" requirement. All classes of Claims against the Debtors except Classes 2, 3, 8 and 10 are either unimpaired or will have accepted the Prepackaged Plan as a condition to the Debtors filing their Chapter 11 Cases. Nevertheless, the Debtors reserve the right to seek confirmation of the Prepackaged Plan notwithstanding rejection of the Prepackaged Plan by Classes 8 and 10 pursuant to section 1129(b) of the Bankruptcy Code, and will request the Bankruptcy Court to confirm the Prepackaged Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to Classes 8 and 10.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PREPACKAGED PLAN

The Debtors believe that the Prepackaged Plan affords holders of impaired Claims and impaired Equity Interests the potential for the greatest realization on the Debtors' assets and, therefore, is in the best interests of such holders. If, however, the Requisite Acceptances are not received, or the Requisite Acceptances are received, the Chapter 11 Cases are commenced, and the Prepackaged Plan is not subsequently confirmed and consummated, the theoretical alternatives include: (i) commencement of "non-prepackaged" or "traditional" chapter 11 cases, (ii) formulation of an alternative plan or plans of reorganization, or (iii) liquidation of the Debtors under chapter 7 or 11 of the Bankruptcy Code.

A. Commencement of "Traditional" Chapter 11 Cases

If the Requisite Acceptances are not received, the Debtors nevertheless could commence "traditional" chapter 11 cases, in which circumstance they could continue to operate their businesses and manage their properties as debtors-in-possession, but would become subject to the numerous restrictions imposed on debtors-in-possession by the Bankruptcy Code. It is not clear whether the Debtors could survive as going concerns in a protracted chapter 11 case. They could have difficulty sustaining operations in the face of the high costs, erosion of customer confidence, loss of key employees and liquidity difficulties that could result if they remained chapter 11 debtors-in-possession for an extended period of time. Ultimately, the Debtors could propose another plan or liquidate the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code.

B. Alternative Plans

If the Requisite Acceptances are not received or if the Prepackaged Plan is not confirmed, the Debtors (or, if the Debtors' exclusive periods in which to file and solicit acceptances of a reorganization plan have expired, any other party-in-interest) could attempt to formulate and propose a different plan or plans of reorganization. Such a plan or plans might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of assets.

With respect to an alternative plan, the Debtors have explored various other alternatives in connection with the extensive negotiation process involved in the formulation and development of the Prepackaged Plan. The Debtors believe that the Prepackaged Plan, as described herein, which is the result of extensive negotiations between the Debtors and various constituencies, enables holders of impaired Claims and impaired Equity Interests to realize the greatest possible value under the circumstances, and that, as compared to any alternative plan of reorganization, the Prepackaged Plan has the greatest chance to be confirmed and consummated.

C. Liquidation under Chapter 7 or Chapter 11

If no plan is confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective holders of Claims against or Equity Interests in the Debtors.

The Debtors believe that in liquidation under chapter 7, before creditors received any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Debtors' assets. The assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

The Debtors could also be liquidated pursuant to the provisions of chapter 11 plans of liquidation. In a liquidation under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than in a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to the holders of Claims under a chapter 11 liquidation plan probably would be delayed substantially.

Although preferable to a chapter 7 liquidation, the Debtors believe that any alternative liquidation under chapter 11 is a much less attractive alternative to creditors than the Prepackaged Plan because of the greater return the Debtors anticipate is provided by the Prepackaged Plan. **THE DEBTORS BELIEVE THAT THE PREPACKAGED PLAN AFFORDS SUBSTANTIALLY GREATER BENEFITS TO HOLDERS OF IMPAIRED CLAIMS AND IMPAIRED EQUITY INTERESTS AND EMPLOYEES THAN WOULD ANY OTHER REASONABLY CONFIRMABLE REORGANIZATION PLAN OR LIQUIDATION UNDER ANY CHAPTER OF THE BANKRUPTCY CODE.**

The liquidation analysis, prepared by the Debtors with their financial advisors, is premised upon a liquidation in a chapter 7 case and is attached as Exhibit E hereto. In the analysis, the Debtors have taken into account the nature, status, and underlying value of the assets of the Companies, the ultimate realizable value of such assets, and the extent to which the assets are subject to liens and security interests.

The Debtors have no knowledge of a buyer ready, willing, and able to purchase the Debtors as a whole or even to purchase significant portions of the Debtors as ongoing businesses. Therefore, the likely form of any liquidation would be the sale of individual assets. Based on this analysis, it is likely that a liquidation of the Debtors' assets would result in (i) smaller distributions being made to creditors than those provided for under the Prepackaged Plan because of (a) the likelihood that the assets of the Debtors would have to be sold or otherwise disposed of in a less orderly fashion over a shorter period of time, (b) additional administrative expenses involved in the appointment of a trustee, and (c) additional expenses and claims, some of which would be entitled to priority, which would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations, and (ii) no or limited distributions being made to holders of General Unsecured Claims. In the opinion of the Debtors, the recoveries projected to be available in liquidation are not likely to afford holders of Claims and Equity Interests as great a realization potential as does the Prepackaged Plan.

X. THE SOLICITATION; VOTING PROCEDURES

Before voting to accept or reject the Prepackaged Plan, each Claim and Equity Interest holder should carefully review the Prepackaged Plan attached as Exhibit A, and described herein above under "Summary of the Prepackaged Plan." All descriptions of the Prepackaged Plan set forth in this Disclosure Statement are subject to the terms and conditions of the Prepackaged Plan.

IT IS IMPORTANT THAT THE HOLDERS OF CLAIMS IN CLASSES 2, 3 AND 8 EXERCISE THEIR RIGHTS TO VOTE TO ACCEPT OR REJECT THE PREPACKAGED PLAN.

A. Voting Deadline

All known Claims and Equity Interests holders of the foregoing Claims in the foregoing Classes entitled to vote on the Prepackaged Plan have been sent a Ballot together with this Disclosure Statement. Such holders should read the Ballot carefully and follow the instructions contained therein. Please use only the Ballot that accompanies this Disclosure Statement to cast your vote.

The Debtors have engaged Epiq Bankruptcy Solutions, LLC as their Solicitation Agent to assist in the transmission of voting materials and in the tabulation of votes with respect to the Prepackaged Plan. **IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE RECEIVED BY THE SOLICITATION AGENT AT THE ADDRESS SET FORTH BELOW ON OR BEFORE THE VOTING DEADLINE.** The Debtors reserve the absolute right, at any time or from time to time, to extend by the collective agreement of the Debtors, by oral or written notice to the Solicitation Agent, the period of time (on a daily basis, if necessary) during which Ballots will be accepted for any reason including, but not limited to, determining whether or not requisite acceptances of the Prepackaged Plan have been received, by making a public announcement of such extension no later than 9:00 a.m. (Eastern Time) on the first business day next succeeding the previously announced Voting Deadline. Without limiting the manner in which the Debtors may choose to make any public announcement, the Debtors will not have any obligation to publish, advertise, or otherwise communicate any such public announcement. There can be no assurance that the Debtors will exercise their right to extend the Voting Deadline.

IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT THE SOLICITATION AGENT AT THE NUMBER SET FORTH BELOW TO RECEIVE A REPLACEMENT BALLOT. ANY BALLOT THAT IS EXECUTED AND RETURNED BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PREPACKAGED PLAN WILL NOT BE COUNTED.

IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, YOU MAY CONTACT THE SOLICITATION AGENT AT:

Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017
Attn: Electrical Components International, Inc.
Telephone: (646) 282-1800

Additional copies of this Disclosure Statement are available upon request made to the Solicitation Agent, at the telephone number set forth immediately above.

B. Voting Procedures

Under the Bankruptcy Code, for purposes of determining whether the Requisite Acceptances have been received, only holders of impaired Claims and impaired Equity Interests who actually vote will be counted. The failure of a holder to deliver a duly executed Ballot will be deemed to constitute an abstention by such holder with respect to voting on the Prepackaged Plan and such abstentions will not be counted as votes for or against the Prepackaged Plan.

The Debtors are providing the Solicitation materials to holders of Claims and Equity Interests whose names appear as of the Voting Record Date in the records maintained by the Debtors or its agents.

You should provide all of the information requested by the Ballots you receive. You should complete and return all Ballots that you receive in the enclosed, self-addressed, postage-paid envelope provided with each such Ballot to the Solicitation Agent.

C. Fiduciaries and other Representatives

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another acting in a fiduciary or representative capacity, such Person should indicate such capacity when signing and, unless otherwise determined by the Debtors, must submit proper evidence satisfactory to the Debtors of authority to so act. Authorized signatories should submit the separate Ballot of each beneficial owner for whom they are voting.

UNLESS THE BALLOT IS SUBMITTED TO THE SOLICITATION AGENT ON OR PRIOR TO THE VOTING DEADLINE, SUCH BALLOT WILL BE REJECTED AS INVALID AND WILL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PREPACKAGED PLAN; PROVIDED, HOWEVER, THAT THE DEBTORS RESERVE THE RIGHT, IN THEIR SOLE DISCRETION, TO REQUEST OF THE BANKRUPTCY COURT THAT ANY SUCH BALLOT BE COUNTED. **IN NO CASE SHOULD A BALLOT BE DELIVERED TO ANY ENTITY OTHER THAN THE SOLICITATION AGENT.**

D. Parties Entitled to Vote

Under section 1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is deemed to be "impaired" under a plan unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

In general, a holder of a claim or interest may vote to accept or to reject a plan if (i) the claim or interest is "allowed," which means generally that no party-in-interest has objected to such claim or interest, and (ii) the claim or interest is impaired by the Prepackaged Plan. If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan, and, accordingly, holders of such claims and interests do not actually vote on the Prepackaged Plan. If a claim or interest is not impaired by the Prepackaged Plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on the Prepackaged Plan.

Classes 1, 4, 5, 6, 7 and 9 of the Prepackaged Plan are not impaired, and holders of Claims and Equity Interests in such Classes are conclusively presumed to have accepted the Prepackaged Plan. Class 10 is impaired and, upon entry of the Solicitation Order, holders of Claims and Equity Interests in such Class shall be conclusively presumed to have rejected the Prepackaged Plan.

Therefore, in accordance with sections 1126 and 1129 of the Bankruptcy Code, the Debtors are soliciting acceptances only from holders of Claims and Equity Interests in Classes 2, 3 and 8.

A vote may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

The Bankruptcy Code defines "acceptance" of a plan by a Class of Claims as acceptance by creditors in that class that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the claims that cast ballots for acceptance or rejection of the plan.

E. Agreements upon Furnishing Ballots

The delivery of an accepting Ballot pursuant to one of the procedures set forth above will constitute the agreement of the creditor with respect to such Ballot to accept (i) all of the terms of, and conditions to, this Solicitation and (ii) the terms of the Prepackaged Plan, including the releases and exculpations of Sections 11.4, 11.5 and 11.6 therein. All parties in interest retain their right to object to Confirmation of the Prepackaged Plan pursuant to section 1128 of the Bankruptcy Code.

F. Waivers of Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Solicitation Agent and the Debtors in their sole discretion, which determination will be final and binding. As indicated in Section X.G – "THE SOLICITATION; VOTING PROCEDURES – Withdrawal of Ballots; Revocation," effective withdrawals of Ballots must be delivered to the Solicitation Agent prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. The interpretation (including the Ballot and the respective instructions thereto) by the Debtors, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will be invalidated.

G. Withdrawal of Ballots; Revocation

Any party who has delivered a valid Ballot for the acceptance or rejection of the Prepackaged Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Solicitation Agent at any time prior to the Voting Deadline. A notice of withdrawal, to be valid, must (i) contain the description of the Claim(s) or Equity Interest(s) to which it relates and the aggregate principal amount represented by such Claim(s) or amount with respect to such Equity Interest(s), (ii) be signed by the withdrawing party in the same manner as the Ballot being withdrawn, (iii) contain a certification that the withdrawing party owns the Claim(s) or Equity Interest(s) and possesses the right to withdraw the vote sought to be withdrawn and (iv) be received by the Solicitation Agent in a timely manner at the address set forth in Section X.H – "THE SOLICITATION; VOTING PROCEDURES – Further Information; Additional Copies." Prior to the filing of the Prepackaged Plan, the Debtors intend to consult with the Solicitation Agent to determine whether any withdrawals of Ballots were received and whether the Requisite Acceptances of the Prepackaged Plan have been received. As stated above, the Debtors expressly reserve the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots that is not received in a timely manner by the Solicitation Agent will not be effective to withdraw a previously cast Ballot.

Any party who has previously submitted to the Solicitation Agent prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change his/her or its vote by submitting to the Solicitation Agent prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Prepackaged Plan. In the case where more than one timely, properly completed Ballot is received, only the Ballot which bears the latest date will be counted for purposes of determining whether the Requisite Acceptances have been received.

The Debtors will pay all costs, fees and expenses relating to the Solicitation.

H. Further Information; Additional Copies

If you have any questions or require further information about the voting procedure for voting your Claim or about the packet of material you received, or if you wish to obtain an additional copy of the Prepackaged Plan, the Disclosure Statement, or any exhibits to such documents (at your own expense, unless otherwise specifically required by Federal Rule of Bankruptcy Procedure 3017(d)), please contact the Solicitation Agent:

Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017
Attn: Electrical Components International, Inc.
Telephone: (646) 282-1800

XI. RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that Confirmation and consummation of the Prepackaged Plan is in the best interests of all creditors and equity holders. Consequently, the Debtors urge all holders of Claims and Equity Interests to vote to ACCEPT the Prepackaged Plan, and to complete and return their Ballots so that they will be received by the Solicitation Agent on or before 5:00 p.m., prevailing Eastern time on March 29, 2010.

Dated: March 4, 2010

FP-ECI HOLDINGS COMPANY

By: /s/ David J. Webster
Name: David J. Webster
Title: Chief Executive Officer

ELECTRICAL COMPONENTS INTERNATIONAL, INC.

By: /s/ David J. Webster
Name: David J. Webster
Title: Chief Executive Officer

ECM HOLDINGS COMPANY

By: /s/ David J. Webster
Name: David J. Webster
Title: Chief Executive Officer

NOMA O.P. INC.

By: /s/ David J. Webster
Name: David J. Webster
Title: Chief Executive Officer